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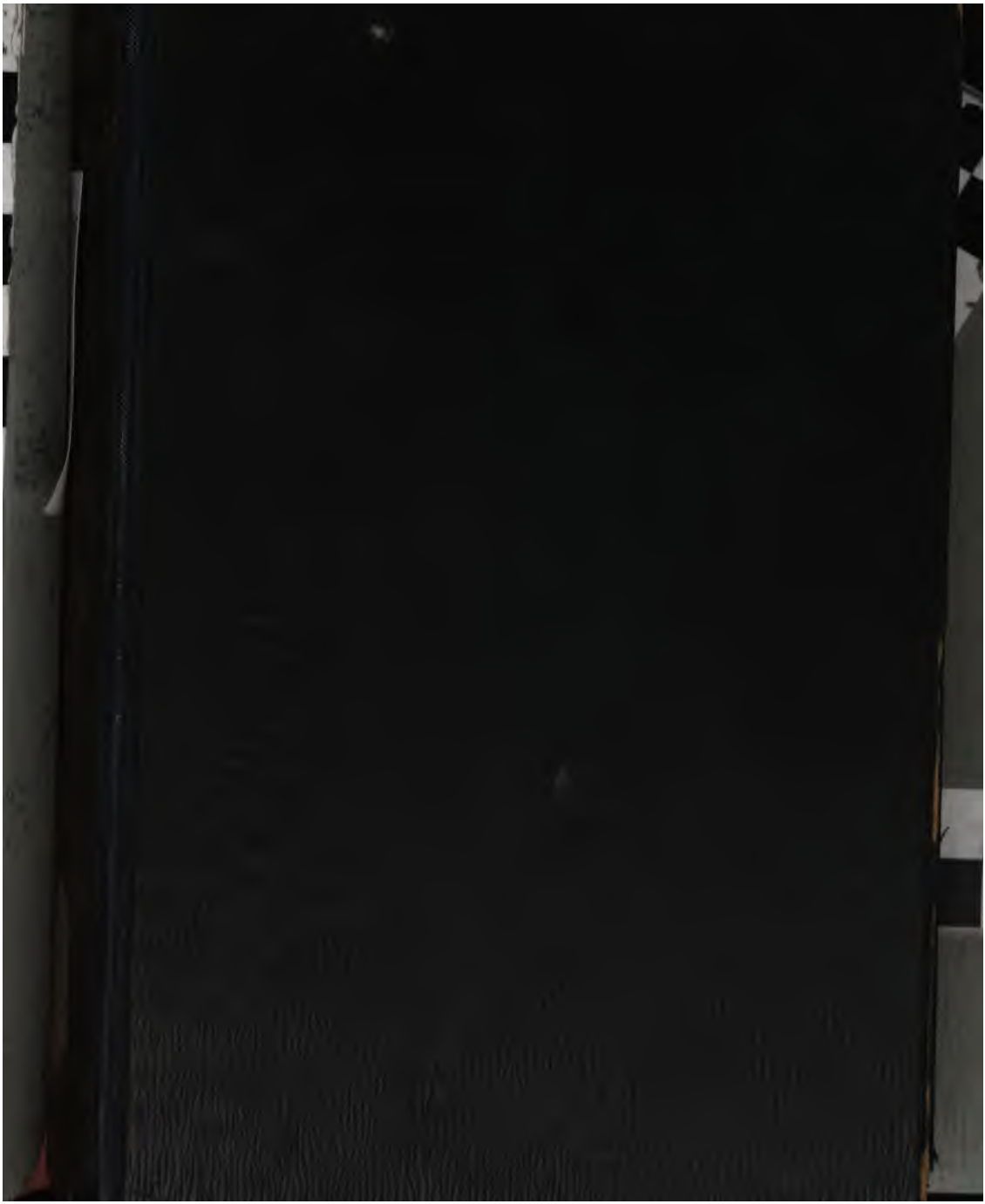

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ENGLISH RAILWAYS:

STATISTICALLY CONSIDERED.

BY

JOHN FRASER, F.C.A.

AUTHOR OF "EPISCOPACY."

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PREFACE.

ALL writers on railway statistics unanimously disapprove of the secrecy maintained in the accounts of English railways; and, they also complain of the suppression by railways, of details which should invariably appear in all business accounts; the absence of which details in railway accounts, renders it impossible to venture on any opinion whatever, as to the financial position of the companies.

It can be readily seen, from an examination of any set of railways accounts which may be at hand, that the companies adopt methods in the conduct of their affairs, which are condemned on every hand, as not being within the limits in which sound businesses are conducted. In framing their accounts, English railway companies systematically act in violation of established principles, an observance of which is essential, to insure the permanent stability of every joint stock or private undertaking.

The companies represent, that their fixed and

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movable assets have a tangible existence, and are of the values stated in their accounts; whereas it is notorious, that many millions, detailed in their books as cost of properties, consist of extinguished assets, revenue charges, losses, and fictions, which never had any connection whatever, with the acquisition of their existing assets.

These irregularities might have been corrected, to some extent, by the companies applying premiums they had received on issuing new stocks, towards the reduction or elimination of the outstanding items in their property or construction accounts; but no such course has apparently ever been adopted by the companies.

Without receiving any consideration for doing so, the companies, quite voluntarily, increased the amount of their liabilities by 44 millions; so manipulating their accounts, that debenture holders were credited with about £20, in addition to every £100, which had been advanced by them. The ordinary stockholders, moreover, agreed between themselves, by a process known as "duplication," to make it appear to the world, that, additional sums had been paid in cash, upon every £100, which had been originally paid, or credited, on their stocks. This watering process,

to the close of 1900, amounted to a further sum of 142 millions.

The conduct of any one, who, whilst engaged in legitimate commerce, had adopted similar practices to those just described, would of course be universally condemned; but these irregularities, on the part of English railways, are considered justifiable. The general details of their operations are concealed by the companies, as they are stealthily wrapt within the folds of an elastic phrase or definition of "Capital Account Balance," which is introduced, as the head line, in all English Railway so-called balance sheets. Every such balance sheet, however, bears the unequivocal stamp of falsehood in this first line, stating an amount which is focussed or worked out from an accumulated conglomeration of, more or less, fictitious figures and calculations.

The irregularities of the companies in these respects, are the more reprehensible, seeing that the companies are not absolute owners of the national railways. The nation still has the option of purchasing them from the companies, who are under obligation, in the meantime, to render material benefits to the nation, in return for the concessions granted to them, on their acquisition of the monoply of land transportation.

As the prosperity of the country is largely dependent on the complete maintenance and efficiency of its railways, the nation is entitled, as one of the contracting parties, to every assurance and guarantee, that the companies shall so conduct and manage their railways, that their values, as national institutions, are permanently maintained, with absolute certainty. The nation is also entitled to insist upon the companies so managing their affairs as to insure a complete avoidance of all indiscretions, and irregularities which are in any way calculated to imperil or prove detrimental to the industrial and trading interests of the country.

The legislature never had in contemplation the probability that the State might, in the course of years, have to deal with a number of insolvent railway companies; but, on the other hand, it was clearly intended from the first, that the State authorities should protect the public, by always exercising such control over their management as would prevent their ever becoming financially unsound.

It necessarily follows, that the public are clearly entitled, to accounts from the railways, in proper and intelligible form; and distinct proofs as to the actual amount of the net earnings

of the railways, and that dividends are being properly paid out of net revenue alone. These proofs can only be assured with certainty by showing that the companies' assets, at their real values, exceed their capital indebtedness and liabilities; the surplus alone, being assignable to the payment of dividends, and reserve investments against future loss, deterioration, or other contingencies.

It is of the highest importance therefore that railway directors should realize a thorough appreciation of their responsibilities to their shareholders; and they should occasionally be reminded of the important fact, that the destinies of the nation, and its financial and commercial prestige, are largely dependent on the manner in which the affairs of its national railways are conducted.

Directors should also remember, that, as they have undertaken the duties of servants, there is great danger in having a plurality of masters. They cannot possibly serve a dozen or more groups of shareholders efficiently, unless endowed with such a superabundance of mental, physical and business capability, as is not possessed by many of their number.

Recent events and press agitations have abund-

antly demonstrated the urgent necessity for closer enquiry on the part of railway shareholders as to the manner in which the management of their affairs is conducted. Having regard to the enormous capital values of the properties which are controlled by directors of railways and other joint stock undertakings, it is submitted that a necessity exists for some authoritative enunciation being issued as to what is the real and technical meaning of the words "capital" and "profit," as the nation appears to be in need of enlightenment on each of these important points. Whilst endeavoring in the interests of railway shareholders and the public to introduce light into some dark places; to expose administrative defects; and to suggest means by which some of them may be remedied to the advantage of shareholders; it is hoped that the shareholders will resolve upon more substantial help being extended to the weak and neglected railway servants, and also to the third-class passengers who are deserving of better treatment than they receive from some of the railway companies.

LONDON, *January 26th*, 1903.

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CHAPTER I.

The first iron railroads. Competition for traffic on introduction of steam. Parliamentary approval of steam traction on public roads. Great lines projected. Views of travellers by first railways. The Railway Mania. The Cheap Trains Act, 1844.

THE close of the century which gave birth to iron railroads and steam traction, seems a suitable occasion on which to review the course of their development. The apparent certainty of electricity ultimately supplanting steam altogether, as a motive power, now lends an additional interest to this subject. It seems but a short time since we witnessed passenger trains travelling along our suburban lines without locomotives, the traction being effected on these primitive railroads, by means of fixed-engines and ropes, their long loose ends dangling about at points where joinings had been made in them. The motive power in those cases was generated and supplied by steam-engines, fixed at different stations on the line, the trains being hauled or propelled at a maximum speed of about ten miles an

hour ; whereas by electricity we shall soon be able to travel, with perfect comfort and safety, at ten times that rate of speed. It is somewhat singular, that the coming passenger trains on our railroads should resemble those originally made up, in being unaccompanied by steam locomotives, as their propulsion is now being effected by electric power, transmitted from generating and accumulating stations placed along the route, and capable of indefinite extension.

The original tramways were intended and used exclusively for the carriage of merchandise, and Parliament had authorized, between 1801 and 1825, the raising of about 155 millions as capital and loan moneys, for the construction, not only of tramways, but also of railroads of an improved character, for the conveyance of passengers and goods.

Merchandise traction was effected in the first instance, and mainly during the first quarter of the century, by horse power, and often on wooden tramroads, the proportion of haulage on railroads, worked by fixed-engines over iron rails, then being almost nominal. The fact however, of steam possessing immense advantages over horse power, very soon became apparent, owing to the discovery that in steam,

speed does not diminish efficiency, and that, when once produced, it may be expended slowly or quickly as required.

A well known engineer however, on the introduction of steam traction, wrote deprecating "the ridiculous expectations, or rather profes- "sions, of the enthusiastic speculator that we "should see engines travelling at the rate of "twelve to twenty miles an hour. Nothing," said he, "could do more harm towards their "general adoption and improvement than the "promulgation of such nonsense."

Another writer on the same subject in the *Quarterly Review*, asks "What can be more "palpably absurd and ridiculous than the "prospect held out of locomotives travelling "twice as fast as stage coaches ?"

On the construction of railroads it was predicted, that hundreds of innkeepers, and thousands of horses and attendants would have nothing to do ; labour for the poor would vanish, and poor rates increase. Canals, too, would be destroyed, and those who lived by them would become beggars, and the 27,000 miles of turnpike roads which then existed in Great Britain, besides the other cross roads of the country, would be deserted and rendered useless.

A keen competition for traffic soon arose between the rival road and canal carriers and the railroads; besides which, in 1826 a movement sprang into existence for the adaptation of travelling-steam-engines to the propulsion of carriages on common highway roads.

The larger railways became instantly alive to the importance of furnishing themselves with the highest type of travelling-engines then attainable, and such as would be best adapted for their purposes. Early in 1829 the Liverpool and Manchester Railway Company offered £500 for the best locomotive to be produced under certain stipulated conditions. This led to a public trial at which engines of three distinct forms were produced.

The first was the "Rocket," of Mr. Robert Stephenson, jun., of Newcastle, which, drawing a load equivalent to three times its weight, travelled at the rate of twelve and a-half miles an hour, and, with a carriage and passengers, at the rate of twenty-four miles an hour; the cost per mile for fuel being about three half pence.

The second was the "Novelty," of Messrs. Braithwaite and Erricson, of London, which, drawing a load equivalent to three times its weight, travelled at the rate of twenty and three-

quarters miles an hour, and, with a carriage and passengers, at the rate of thirty-two miles, the cost per mile for fuel being about one half-penny.

The third locomotive was the "Sans Pareil," of Mr. Hackworth, of Darlington, which, drawing a load equivalent to three times its own weight, travelled at the rate of twelve and a half miles an hour, the cost for fuel per mile being about two pence.

Two other engines were constructed for the competition, but they did not undergo the trial; and the prize was awarded to Mr. Stephenson, jun., who produced the "Rocket," which still may be seen at the South Kensington Museum.

Among the earliest advocates in favour of the adaptability of travelling-engines, for the propulsion by steam of carriages on public roads, was Mr. Goldsworthy Gurney, a man in every way worthy of greater success than he seems to have achieved.

He constructed an experimental engine, and made many successful journeys in every direction out of London. Although extremely rude, ill-constructed and defective, his carriage succeeded in ascending all the hills between London and Bath, as well as those in suburban London,

such as Stamford Hill and notably that of Highgate Hill, the grades in which are one foot in twelve, and even in places as much as one in nine; none of the mail coach roads in England ever having been known to be so steep.

After several years of indefatigable exertion, during which he had to encounter and refute the objections urged against the scheme, Mr. Gurney eventually succeeded in having a steam carriage established as a public conveyance between Gloucester and Cheltenham. During four months, from February to June 1831, it performed the journey of nine miles between those places—a level road,—regularly four times a day. It carried 3,000 passengers without a single accident, at a greater speed than that of horsed coaches, and at half their fare.

The experiment having succeeded so admirably, trustees of turnpike roads, carriers, coach proprietors, drivers, grooms, stablemen, and a host of others affected, were immediately up in arms. On one occasion the road, being in excellent order, was found to be covered with heaps of loose stones and rubbish, to a depth of eighteen inches, the object of course being to cause a breakdown of Mr. Gurney's carriage at that spot.

Mr. Gurney subsequently discovered that an

immense number of turnpike bills had hastily passed both Houses of Parliament, imposing on carriages worked by machinery prohibitory tolls. In some cases the tolls amounted to 40s. at every gate, in others to 48s., and in some 68s. ; and one of the bills so passed, applied to the road between Cheltenham and Gloucester.

A Parliamentary Committee of the House of Commons was then appointed to enquire into the whole subject of the practicability of utilizing steam as a propellant on public roads, and to report thereon. This Committee had the matter under serious consideration for three months, and their report, dated 12 Oct., 1831, stated that they had ascertained that a determination existed to obstruct, as much as possible, the progress of an invention, which they declared to be one of the most important improvements in internal communication, which had ever been introduced. The conclusion of their report is in the following words, as to the truth of which the Committee stated they had received ample proof :—

" 1. That carriages can be propelled by steam " on common roads at an average rate of ten " miles per hour.

" 2. That at this rate they have conveyed up- " wards of 14 passengers.

"3. That their weight, including engine, fuel, "water and attendant, may be under three tons.

"4. That they can ascend and descend hills of "considerable inclination with facility and "safety.

"5. That they are perfectly safe for passengers.

"6. That they are not, (or need not be) if "properly constructed, nuisances to the public.

"7. That they will become a speedier mode "of conveyance than carriages drawn by horses, "and

"8. That as they admit of greater breadth of "tire than other carriages, and, as the roads are "not acted on so injuriously as by the feet of "horses in common draught, such carriages will "cause less wear of roads than coaches drawn by "horses."

No one in the present day can peruse these clear and practical details of the exhaustive labours of the commission, undertaken seventy years ago, without feelings of regret that the trade prejudice and bitter opposition of the limited classes, who were then presumably liable to become injuriously affected, should have succeeded in strangling, at its birth, so important an introduction as that of the travelling-engine for road traction. If that industry had been en-

couraged at the time, as it deserved to have been, many millions would have been added to our national wealth, during this long period, by means of the economies it would have effected, in the time of business men, and cost of goods haulage, in addition to the profit which would have arisen, from the manufacture of motor vehicles; besides which, innumerable domestic comforts and other advantages, would have been placed within reach of the man of business, and those engaged in the pursuit of pleasure. These facts are amply verified in the experience of all who are now eagerly witnessing the more rapid, safe, economical and delightful means of road transit, effected by the numerous elegant and useful electro-motor vehicles, which traverse our roads, in endless variety, and are gaining in popularity, with every passing day.

About the same year 1831 the Great Northern Company were seeking parliamentary powers for construction of their railroad from London to York, with a Capital of £4,000,000, the estimated cost of the railroad being £3,437,000. Powers were also asked to construct a line, from London to Birmingham, 112 miles in length, the estimated cost of which was £2,205,352.

During some previous years several important railroads had been worked by steam, with travelling-engines. The first completed was the Stockton and Darlington railroad, which was about 25 miles in length, and was opened for traffic in the autumn of 1825. It was a single railroad, having sidings, placed at intervals of a quarter of a mile, to allow of carriages passing each other. The Liverpool and Manchester, 32 miles long, was commenced in June 1826, and opened for traffic on 15th September 1830, when six hundred passengers were carried, in 28 carriages, drawn by eight engines.

The Great Western and various other lines, including one between Birmingham and Liverpool, were also in course of construction, their cost averaging from £35,000 to £55,000 per mile, being considerably in excess of the estimates.

There were in 1833 two lines projected from London to Brighton, one through St. Leonards Forest, designed by Mr. Vignolds, a Civil Engineer, and the other by Messrs. Rennie, Civil Engineers, passing through Reigate and Horley.

A third line, from London to Brighton and Portsmouth, was also projected at the same time, by Mr. N. W. Cundy, a Civil Engineer. His estimate of this work was only about £1,500,000,

and a book written by him at the close of 1833, contains the following passages :—

" I have long since been of opinion that steam " engines will shortly be superseded by another " class of engines, which will perform all that " steam engines have hitherto done, without " the danger of fire, or bursting of boilers, and at " one quarter of the expense.

" The public may expect to see locomotive " engines travelling on railroads with a train of " carriages, at the speed of from twenty to thirty " miles an hour, without the aid of steam or any " apparent cause."

From the evidence submitted to the Parliamentary Committee on the London and Birmingham Railway Bill, it was proved that in 1829 journeys of business men, from Birmingham to the metropolis and return, occupied three days and nights. One man, Mr. R. Attenborough, in travelling from Braybrook, a distance of 80 miles, and returning, was occupied for a similar time, and reached his home at four in the morning, the fare each way being 32s. inside the coach and 21s. outside, with the usual tips on the road, cost of sustenance, and other incidental expenses.

Another witness—Mr. E. T. Moore—had a parcel of goods detained in transit from Birming-

ham to London, from 24th December 1829 to the 20th February following, at a personal loss of £1,200.

A passenger travelling from London to Edinburgh, in 1830, paid for his passage £10 for an outside place on the Mail-coach, or £14 inside, and the journey then occupied 40 hours, which was considered a great improvement on former years, when it could be undertaken only once in a fortnight, and extended over 13 days, requiring the employment of 80 horses for the trip.

About the year 1840, and for some years afterwards, a railway 3rd Class journey from London to Liverpool, extended over two days, and the 2nd Class passenger on such a journey, had to spend the whole night in Birmingham, i.e., from three o'clock in the afternoon until six next morning, or pay 1st Class fare for completing the journey.

Before proceeding to the more serious consideration of our subject, it would not be amiss to describe, in a few words, the popular feelings of travellers about the same date on their partial rescue from the delays and discomforts of mail-coach travelling, and their transfer into the hands of railroad carriers, who provided only covered and glazed carriages for first class

travellers, seconds which were roofed, but had ventilated floors, and unglazed window-openings, and thirds which had bottom ventilation too, and were roofless, unglazed, and even without seats, the sides being only 3 feet high, so that passengers frequently fell on to the rails.

An intelligent writer of 1839, probably travelling in a covered and glazed compartment, thus describes his emotional feelings:—"A pleasur-
" able wonder takes possession of the mind, as
" we glide along at a speed equal to the gallop
" of a race horse. It may be supposed that so
" great a speed would almost deprive the
" traveller of breath, and that he could not
" fail to be unpleasantly conscious of the velocity
" with which he cuts through the air. The
" reverse is, however, the case; the motion is
" uniform, and so entirely free from the shaking
" occasioned by the inequality or friction of
" common roads, that the passenger can scarcely
" credit he is really passing over the ground
" at such a rapid pace; and it is only when
" meeting another train that he is fully aware
" of the velocity of his career. The novelty of
" the scene is delightful; now, where the natural
" surface of the ground is highest, we travel
" embosomed in deep recesses; and then, where

"the ordinary course of the road would lead "through a valley, we ride above the tops of "the trees, and look down upon the surrounding "country. The reflecting traveller probably falls "into a pleasing vision, arising out of the "triumph of human art. He sees the period fast "approaching, when the remotest part of his "own country shall be brought into easy and "rapid communication; and he looks beyond "this probable event of a few years, to the "more distant day, when other nations shall "emulate these gigantic works of peace."

An American expressed his views in those days in the following words, which are eminently characteristic of the up-to-date Yank of to-day :—

"I like railroads—anyone can hate railroads, "despise railroads and rail at railroads, but I "like railroads. I like to arrive at the railway "office a quarter of an hour before starting. I "like to be shewn into a nice warm room, "where a quarter of an hour passes quicker "than five minutes in a dirty coach-office. I "like to have my baggage taken care of, and hate "to have it wetted on the top of a coach, or "stolen at a coach office. I like to have to do "with porters who charge nothing for being "civil. I like the ample room of a steam

"coach. I like to travel fast. I dread vicious "horses; I feel for distressed ones. I hate going "down hill, chain-breaking, coach upsetting and "coachman dying."

Hood, too, had something to say in one of his queer stories as to a cockney lady, who, anxious to secure her own place in the railway train, travels three or four times over the same ground; and one of whose sage precautions is to get farthest from the engine, because, as she gravely says, "it must bust fust."

The amusing story of Stephenson the engineer, when under examination before a committee of the House of Commons, although narrated on many occasions, is still worth repetition. When asked, "Suppose, now, one of your engines to be "going at the rate of nine or ten miles an "hour, and that a cow were to stray upon "the line, and get in the way of the engine, "would not that be very awkward?" his quaint reply was merely "Yes, yes, very a'k'ard "for the coo."

Between the years 1823 and 1844, forty-seven lines of railway had been completed at a cost of 70 millions, and 118 railroads, which had been authorised, were in course of construction, and were estimated to cost 67 millions.

The Board of Trade reported in 1844 that in the previous year 24 millions of persons travelled by railways, the average of each journey being 15 miles. Early in the session of 1844, a Select Committee of the House of Commons was appointed to report to the House on the whole subject of railway legislation. The result was that the Cheap Trains Act of 1844 was passed providing for the Companies running one cheap train each way daily, at times to be approved by the Privy Council for Trade—the speed not to be less than 12 miles an hour for the whole distance travelled, including stoppages—to take up and set down passengers at every station—the carriages to be provided with seats, and to be protected from the weather—the fare not to exceed a penny per mile—passengers to be allowed to take 56 lbs. of luggage—children under three years of age accompanying passengers, to be carried free, and under twelve at half fare.

During the years 1844 and 1845 innumerable railways were in contemplation, and rather more than 400 Acts had been passed, sanctioning works relating to about 250 lines of railway.

A complete mania, which had previously set

in with reference to these affairs, was now at fever point, and an insatiable demand arose for engineers, surveyors, draughtsmen, printers and engravers, many of whom were imported from the Continent. The demand was so enormous, that classes were even formed for lectures and instruction to persons of inferior capacity, in order to their being rapidly converted into practical assistants, commanding large salaries; but, although countless amateurs presented themselves, the supply fell far short of the demand for surveyors and levellers, who were "worth their weight in gold." The excitement was intense; so that the various members composing the huge armies who were employed, day and night for weeks, in preparing plans for parliamentary deposits, were able to demand from 5 to 20 guineas a day with expenses. The number of projected railways in 1844 amounted to 248, and in 1845 there were 815 railways brought forward; indeed, it is alleged, that the total number of the lines which were made, or authorised to be made, or announced to the public, and registered, was 1,428, with an estimated capital of 701 millions.

On the 8th November, 1845, a competent writer

stated, "We will answer for it that during the "two or three preceding months as much as a "hundred thousand pounds a week were spent "in railway advertisements alone," and when this statement was made, the advertisements still continued.

CHAPTER II.

Beneficial results from new land transit. General policy of Board of Trade. Statutory obligations of railways as to accounts. Board of Trade statistics. Their antiquated balance sheets. The Court of Appeal on balance sheet essentials. Balance sheets prescribed by Companies and Regulation of Railways Acts. Share capital and permanent loan accounts. Creation of railway stocks. The Trustee Act, 1893. Duplication of share and loan capital. Nominal additions. Premiums or accretions to funds on new issues. Treatment of figures by Board of Trade. Attorney-General v. Midland Railway Company. Liabilities under the Stamp Act, 1891.

THE beneficial effects of railroad development in the early part of the century, which resulted in the greater expansion of commerce, and secured for the community innumerable advantages and comforts theretofore unknown, furnished sufficient justification, not only for the intensity of such excitement as just described, but also for the marvellous extension of railroad construction immediately following, and which was continued for years afterwards, with feverish rapidity.

Considering, however that, seventy years ago, land transit admitted of travellers being carried safely at the rate of twenty-five or thirty miles an

hour, its subsequent progress has certainly not been so satisfactory as might have been expected. It is by no means clear that the improvement in steam transit by land, such as it is, has kept pace with that by water; but, we may rely on soon witnessing, in England, great changes in the former, as the whole railway world is now intensely agitated on the subject.

It is doubtful whether the departmental authorities of the Board of Trade, in pursuing their "*laissez-faire*" course of existence, have ever, in any special degree, distinguished themselves by originating and formulating any important scheme of social reform; but, certainly, as far as improvements in railroad or other land transit are strictly concerned, they have fallen out of the race altogether, although they have throughout possessed full control of the helm.

The general report of the Board, for the year 1900, as to the share and loan capital of railways and passengers and goods traffics, contains voluminous statistics, and interesting information of its kind; a great deal of which, however, is not of practical utility or even trustworthy.

All railway companies are bound, by the Railway Companies Regulation Acts, of 1868 and 1871, to keep and furnish comprehensive

accounts as to their capital receipts and expenditure ; and, by the 9th section of the latter Act, it is directed that every railway company shall prepare and furnish, a full return of the sums received up to the 31st December in every year, in respect of their stock and share capital, the sums raised by loans and debenture stock, and their subscriptions to other undertakings, whether worked by, or independent of the company.

The Board of Trade must therefore, very soon after December, 1900, have possessed the fullest information as to all the paid up railway share capital, and the sums raised by loans and debentures ; but on the very first page of the general report, it is untruly stated that the "paid-up" capital of the ordinary, guaranteed and preferential stocks of the railways of the United Kingdom amounted to 865·5 millions, and that the loan and debenture stocks amounted to 310·5 millions, the two making up a grand total of 1,176 millions as having been paid up. It is, however, stated that these figures include "nominal" additions of 142·6 millions to the ordinary, guaranteed, and preference stocks, and of 44·2 millions to the loan and debenture stocks, making together 186·8 millions of nominal addi-

tions, in consequence of certain consolidations, conversions and divisions of stocks having been effected under parliamentary sanction.

Throughout the report the deductions arrived at by the Board of Trade authorities are based upon the larger figures, and are therefore illusory and misleading. The report might just as well have stated at the outset, that the really paid up capital and loan moneys amounted to 989·2 millions only, and not 1,176 millions; and their calculations should have been based upon the former amount. It might also have been stated, that the companies had placed to their capital accounts about 100 millions, acquired as premiums on the issues of their new stocks, and that the original cash receipts of 989·2 millions, the subsequent receipts from premiums, with the "nominal" additions, calculated at the market prices of the stocks ruling at the close of 1900, represented altogether a grand total of 1,500 millions of stocks, in which the public were dealing day by day. The report might have closed by stating that the antiquated forms of balance sheets, with which the vast proprietary body of railway stockholders are furnished half-yearly, only represent figures amounting in all to about sixty millions, whereas the whole

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details of the capital items, of the market value of 1,500 millions, are excluded altogether from these balance sheets in utter disregard of the invariable practice in this respect, and the principles observed by almost every other company, or corporate body in the kingdom.

A balance sheet of a public or private company, always shows on the one side, the share capital of the concern in detail, and its loan indebtedness, also the amount due to its other creditors, together with all the other liabilities of the company, the whole being grouped and arranged under proper headings, and closing with such amount as may stand to the credit of its profit and loss account. On the other side is set out minutely, the fixed and movable property and assets of the company, at their current values, and all the debit balances of the ledger and cash book.

Shareholders are entitled to, and are usually supplied with, details as to the company's receipts and expenditure, a profit and loss account, and a full and clearly expressed balance sheet. These details and accounts furnish them with complete information as to the state of their affairs; the balance sheet, if sufficiently explicit and trustworthy, being the most important of all the series. As the details on the credit side of the balance sheet

represent the company's property and assets, they are clearly stated in full, and it is the duty of the auditors to enquire into, and satisfy themselves, as to their actual values, at the date of the balance sheet.

The Court of Appeal defines a balance sheet to be "such a document as will convey a truthful "statement as to the company's position. It "must not conceal any known cause of weakness "in the financial position, or suggest anything "which cannot be supported as fairly correct, "in a business point of view."

The Board of Trade however, is, either at disagreement with public opinion, and the legal authorities, on these points, or, it has never yet realised any adequate notion as to what a railway balance sheet should communicate to, or conceal from, the stockholders, with regard to their own position, or that of their company.

The Companies Act 1862 prescribes, with minuteness and precision, the form of balance sheet to be used by public companies.

The directors are therein required to set forth the number of shares, with amount paid and calls in arrear, amount of loans on mortgage and debenture, all the debts owing by, and acceptances given by the Company, the current interest on

debentures or loans, unclaimed dividends, reserve fund set aside for contingencies, and the disposable balance on profit and loss account. On the credit side must be shown the details of immovable and movable property, distinguishing the cost of stock in trade and plant, with deductions for deterioration in value, as charged to profit and loss, the good, doubtful and bad debts owing to the company at their current estimated value, the nature of investments and the amount of cash in the hands of the company.

By the 3rd Section of the Regulation of Railways Act, 1868, the form of balance sheet to be used by railway companies, being No. 13, omits all reference whatever to the company's capital, and is merely confined to the smaller book balances of its current liabilities and credits, its temporary petty investments, and the net amount available for distribution among the shareholders. No reason whatever can exist why this form of account should not now be amplified, by introducing concisely, all the items of capital receipts and expenditure, as shown by the account No. 4. The proprietary would thus possess balance sheets, which ordinary readers could understand at a glance. There would be no necessity for making the slightest change in

either of the twelve preceding accounts and returns, as they exist at present. The astonishing fact that business men should have tolerated the antiquated Board of Trade railway balance sheets, which have been submitted to them for upwards of sixty years, is altogether beyond comprehension.

In considering the figures which are necessarily introduced into a treatise of this kind, it must be borne in mind that railway share capital is strictly composed of three fourths of the total money raised by the company, the permanent loan indebtedness authorised by law, being represented by the remaining one fourth part of all the money so raised.

Railway share capital, as usually understood, consists of the cash proceeds of the ordinary, preference and guaranteed stocks, the first of which to be raised is the ordinary stock. Should the ordinary stock fall to a discount, the company would of course be unable to issue more of that particular stock at par, and recourse is then had to the only expedient available, viz., that of inviting subscriptions to preference and guaranteed stocks. Holders of these latter stocks may therefore literally be regarded, not only as shareholders, but as semi-creditors of the

company, that is, to the extent to which the first net income, earned by the company, is secured to them in priority over the ordinary stockholders.

When, and as, the ordinary, preference and guaranteed stocks are taken up, and paid for in cash, the company has authority to borrow money on debenture, mortgage or otherwise, to the extent of one-third of the amount so paid up on the share capital. The proportion so borrowed is regarded as permanent loan indebtedness, and is usually issued in the form of debenture stock.

Subsequently, on a railway becoming in the course of years, a commercial success, the Trustee Act of 1893 comes into operation, as it directs that all their stocks, the ordinary excepted, should rank as investment stocks, in which trustees may place their trust funds, provided the railway company had during each of the ten years immediately preceding investment, paid annual dividends of not less than three per cent. on their ordinary stock, but without any obligation on the part of the trustees, to enquire whether such dividends had been properly earned or not. The fallacy therefore of representing that the holders of guaranteed

and preference stocks, are shareholders pure and simple, becomes apparent.

On an issue of any of their stocks, a railway company is bound, unless it should otherwise determine, to offer such amount as they may require to issue, to their ordinary stock holders in proportion to their holdings at par; the stock however being paid up in cash, and properly verified, in the manner prescribed by the Companies Clauses Act of 1845.

There is no express provision by statute for issuing stock, either representing share or so-called loan capital, at a premium; nor is there any process known to the law, commerce, or logic, by which twenty shillings paid up as share capital or borrowed money, can be converted into thirty shillings so paid up either "nominally" or otherwise.

Every twenty shillings so paid up, constitutes twenty shillings worth of capital or loan money, and no more; and it is difficult, at first sight, to see how any railway company, by simply representing their twenty shillings to be thirty or forty, can secure any advantage to its members or others; but, several of the companies have for many years, adopted this strange artifice, in their methods of conducting business.

If forty shillings worth of capital or loan stock is issued for every twenty shillings paid up in cash, the additional twenty shillings so credited improperly, is designated in the one case "nominal" paid up capital, whatever that may mean; and probably becomes, in the other case, an additional indebtedness. In either event the addition is a fictitious entity, and should be described as such, in the company's balance sheets, if introduced at all.

The "nominal addition" so made, being merely an ideal or ethereal element, should nevertheless, if existent as an asset or liability, appear in the balance sheet, with an item of equivalent amount, on the other side of the balance sheet, explanatory of its essence and introduction. Such nominal capital or stock addition cannot, in any sense, be said to be capital pure and simple, an essential element of capital being, that its sole constituent must be actual cash, or money's worth, brought into a concern, at twenty shillings in the pound, and continuing there in some form or forms as immovable, tangible, available, or convertible assets, of that real value. The railway expression "nominal capital" is anomalous, and in fact absurd, notwithstanding its common acceptance,

and use in legislative enactments, and the additional fact, that many leading railways adopt the expression, in their statements of capital; but the phrase in truth is still altogether indefinable, as made use of in railway accounts.

Railway companies by taking advantage of the cheapness of money, when it favoured their operations, acquired many million pounds sterling, as premiums or accretions to their funds, on new issues or conversions of their stocks, as previously mentioned, and these increments have been invariably treated in all their accounts, as additional capital moneys; but the Board of Trade in their report ignore them altogether. The inconsistency on the part of the Board of Trade authorities, lies in the fact, that, while the hundred millions, actually received as premiums, are treated by the companies as capital moneys, and have a real existence, they are unmentioned in the Board of Trade reports, and excluded from their calculations; whereas the "nominal" additions of 186·8 millions which are fictitious and unsubstantial, are blended with real capital amounts, and with them form the basis on which the Board of Trade calculations have been made.

The meaning of the adjective "nominal"

when applied to capital, recently formed the subject of judicial inquiry, in a case argued before the Court of Appeal, viz., the Attorney General v. The Midland Railway Company. That Company's Act of 1897 gave rise to the matter in dispute, and the case is reported in the Law Reports, Q.B. Division 1900, page 353.

The Stamp Act of 1891, being 54 and 55 Vict. C. 39 Section 113 provides that—

"1. Where by virtue of any letters patent "granted by Her Majesty or any act, the liability "of the holders of shares, in the capital of any "corporation or company is limited otherwise "than by registration with limited liability "under the law in that behalf, a statement of the "amount of nominal share capital of the cor- "poration or company shall be delivered by the "corporation or company to the commissioners "within one month after the date of the letters "patent or the passing of the Act; and in case of "any increase of the amount of nominal share "capital of any corporation or company whether "now existing or to be hereafter formed being "authorised by any letters patent or Act a state- "ment of the amount of such increase shall be "delivered by the corporation or company to the "Commissioners within the like period.

"2. The statement shall be charged with an "*ad valorem* stamp duty of two shillings for "every £100 and any fraction of £100 over any "multiple of £100 of the amount of such capital "or increase of capital as the case may be and "shall be duly stamped accordingly when the "same is delivered to the Commissioners.

"3. In the case of neglect to deliver such a "statement as is hereby required to be delivered "the corporation or company shall be liable to "pay to Her Majesty a sum equal to £10 per "centum upon the amount of duty payable and a "like penalty for every month after the first "month during which the neglect shall "continue."

Under the special Act of the Midland Railway Company, which was passed on the 6th August, 1897, to enable the company to re-arrange and consolidate the several classes and denominations of the shares and stocks in the capital of the company, and of their loan and debenture stocks, the various stocks, shares, loans and debentures were increased in their amount by £59,230,579.

This nominal increase rendered the company liable to a stamp duty of £59,230, in addition to which, the Crown claimed a further 10 per cent.

on that amount, and another penalty of 10 per cent., for every month after the 6th September, 1897, which had elapsed prior to the commencement of the suit.

The questions to be determined under a special case, which had been agreed by consent, on an information by the Attorney-General, for enforcement of these penalties against the company, were—

"1. Whether the increase in question ought "to be included in a statement of the amount of "increase to be delivered under the Stamp Act "of 1891; and

"2. Whether the company were liable to pay "the penalties or any of them claimed by the "Crown

"Judgment to be for the Attorney-General if "the Court should be of opinion that Her "Majesty was entitled to recover any penalty and "for the amount of the penalties incurred before "the commencement of the suit.

"Judgment to be for the company if the Court "should be of opinion that Her Majesty was not "entitled to recover any penalty."

The contention of the Crown was, that the operations effected by the Company, constituted "an increase of the amount of nominal share

capital," within the meaning of the Stamp Act of 1891. It was submitted as an example, that, to convert 35 millions of ordinary stock into 35 millions of preferred ordinary and 35 millions deferred ordinary stock, was to increase the amount of nominal share capital by 35 millions; and, the fact that there was no increase, after the conversion, in the dividends received by the shareholders, did not make any difference.

On the other hand, the argument for the Company was to the effect, that the increase intended by the Stamp Act was a real increase, of nominal share capital. There had been no real increase there, no new creation of share capital. There had been nothing more than a re-arrangement of capital, not a bringing in of additional capital. That the word "nominal" in the 113th section of the Stamp Act, was an adjective applied to "share capital" not to the word "amount." The words "any increase of the amount of nominal share capital" did not mean "any increase of the nominal amount of share capital" as they must mean, if the contention of the Crown were well founded.

In giving judgment Lord Justice Ridley said that "nominal share capital" means "the capital " in shares and the figure value attached to it. It

" seems to me that if the company extends the " capital and gives greater nominal value, so that " £100 of capital becomes £200, that is an " increase in respect of which the Act requires " that a statement should be delivered by the " company. I cannot myself see the difference " between 'the nominal amount of share capital' "and 'the amount of nominal share capital.' " There is a different collocation of words, but I " think the two expressions mean the same thing, " the quantity is to be judged by the amount. " The company must be prepared to pay the " stamp duty which is imposed in respect of the " increase of their nominal share capital."

Lord Justice Darling concurred, adding—"The " argument for the railway it seems to me treats " the expression 'nominal share capital' as " though it were a convertible term with " 'assets.' It is true that the assets of the " company have not been increased. The " amount which would be divisible among the " shareholders, if the concern were wound up, " has not been increased, but the nominal " amount divisible among them has been " increased, and that, I think, is the nominal " share capital. It is perfectly well known in " these days what the words 'nominal share

"'capital' mean. Companies are brought out "day by day with a 'nominal share capital' of "many thousands of pounds when as a matter "of fact there is no capital at all. I agree that "the crown is entitled to our judgment."

It is obvious, therefore, that neither of these judges was capable of pronouncing any authoritative or intelligible opinion, as to what,—when applicable to railways—is strictly limited by, or embodied in, the expression "nominal share capital"; what it really is, or how it may be grammatically construed. One of the learned authorities furnishes a vague and wide opinion to the effect that "nominal share capital" means capital in shares, and the figure value attached to it; and that £100 of capital may become £200; whilst the other gravely states that, in his opinion, the nominal amount divisible in the event of a winding up, constitutes "nominal share capital."

The subject matter was therefore left, and it still remains, in the chaotic state of uncertainty in which it previously stood, both as to the sense in which the adjective is to be understood, and the position which should be assigned to it, as governing the word capital or its quantity.

On an appeal of the Midland Company to the

House of Lords, which was heard on the 26th February, 1902, the decisions of the inferior Court, and of the Court of Appeal, were sustained Lords Macnaghten, Brampton, Davey, Lindley, Robertson, and Shand, being unanimously of opinion, that the conversions and re-arrangements of stocks of the railway, had clearly increased the company's nominal capital, to the extent claimed by the Inland Revenue Commissioners, and the company were therefore ordered to pay the duty, and the several penalties claimed, which amounted in all to £108,000, together with all the costs of the various proceedings.

The effect of this decision of the House of Lords is, that all those other companies, who have increased the nominal amounts of their stocks since 1891, will have to pay the duties and heavy penalties which are imposed by the Stamp Act of 1891 ; the rate of stamp duty, on nominal additions to capital, having been increased by a subsequent enactment, from 2s. to 5s., on every £100 so nominally added.

In the case of an ordinary joint stock company, it is generally understood, that the amount which the company is authorised to raise, in cash or money's worth, to the full amount, and without

deduction of discount, constitutes its nominal capital. But with regard to railways, it will be seen in the next chapter that the commodity designated as "railway nominal capital," is utterly delusive, and nonsensical, having no relation whatever to the actual money raised as capital. It really is the outcome of a simple manipulation of figures, accommodating itself to an arrangement of dividends, for market purposes alone, and designed by railway companies, for improving the value of their securities, at the expense of, and for the purpose of victimizing, the subsequent investor.

The Midland Company's report to December, 1900, contains the following clause:—

"Stock conversion—The Court of Appeal has "decided that the company are liable to pay, "under the Finance Act, 1891, upon the nominal "increase of capital resulting from the stock "consolidation authorised by the Midland "Railway Act, 1897, a liability which your "directors were advised to contest as not within "the spirit or intention of the Act."

It will astonish some readers, to find that, six months afterwards, the Midland Company, charged as part of their expenditure on the construction of their lines, a sum of £59,680 3s. 5d.,

"being stamp duty on Stock Conversion Act, "1897, including costs." It will be found as part of the six months expenditure to June, 1891, of £691,649 11s. 2d. as per statement No. 5.

A similar figure must appear in the company's subsequent accounts, as the approximate amount in which about a dozen judges have now, without a single dissentient, held the company liable. It is an actually ascertained loss which, according to all mercantile rule, should be made good out of revenue, and it is improper, on the part of the company, to represent, that this expenditure of something like £120,000 is chargeable as a capital sum, which had been spent in the construction of the company's lines and works.

CHAPTER III.

Various definitions of "capital"—Mid-Wales Bank *v.* Cory—Question affecting bad debts and profits—Mr. Justice Buckley's capital-loss illustration—Treatment of losses—Railway revenue items charged to capital—Essential principles in balance-sheets ignored by railways—Parliamentary and Board of Trade policy of non-interference in railway finance—Board of Trade refusal to assist in definition of "profit"—Parliamentary sanction to issue shares at discount and to divide ordinary stock—The object of "splitting" stock and its results.

THE subject of the duplication of share capital not having been satisfactorily cleared up by the judicial authorities, there remains the question as to the manner in which capital, whether existent or not, is to be regarded. A company's capital, as before stated, is the actual cash, and money's worth, which are brought into the undertaking, at 20s. in the £. The total capital therefore becomes virtually, as between the members, a partnership debt; and, its value in assets should always be maintained intact, at its original amount; all losses, deficiencies and shrinkage being provided for, and made good, out of profits alone. Regarded in this light, it is

perfectly clear, that, when all its indebtedness, preferential interests and liabilities are sufficiently provided for, the actual value of the assets in a going concern, should always exceed the amount of the original capital; otherwise the undertaking cannot be in a financially sound condition.

Capital is described in railway statutes, and Board of Trade documents, in various ways; as having been authorised, created, converted, recreated, cancelled, extinguished, expanded, consolidated, and reorganized, but it is doubtful whether any words yet published, in the railway world, convey a correct or technical definition, as to the precise meaning of the word capital.

On leaving railways for a time, should we saunter into industrial, financial, legal or other likely quarters, in search of enlightenment as to capital or its nature, we are instantly launched into a labyrinth of inextricable entanglement and bewilderment. The matter to old-fashioned minds, appears so devoid of confusion, so inordinately simple, and easy of comprehension, as to be altogether beyond the region of doubt, and to require no explanation whatever. Who, it may be asked, can possibly fail to understand what is meant when a man is represented as being possessed of "capital," and surely that

which may be understood with regard to one individual, applies equally to a body consisting of many. It is however precisely at this point that difficulties arise.

Capital is plainly defined by lexicographers as surplus pecuniary means; and capital stock is described as the principal or stock of a bank, a trader, or a company. Lord Lindley, when at the bar, was regarded as perhaps the highest authority on partnership law, and he then defined the capital of a company as being the aggregate of the sums contributed by its members for the purpose of commencing or carrying on business, and intended to be risked by them in the business. After interminable litigation extending over fifty years, during which many thousand pounds were spent in the high courts of law, the appellant courts, and the House of Lords, the obscurity as to what capital really is, in its essence and nature, is still at this moment as dense as ever. It is now subdivided, according to the highest legal authorities, into fixed capital, circulating or floating capital, and nominal capital, Lord Lindley's views having undergone expansion, by now asserting that a company's capital means the money subscribed by the members or what is represented by it.

Mr. Justice Buckley, another leading authority, says the word capital may have any one of at least three meanings, viz. :—

(1) Nominal capital, the amount mentioned in the partnership instrument, say £100,000 in 10,000 shares of £10 each.

(2) Issued capital or trading capital, say 5,000 shares of £10 each, part of the above nominal capital.

(3) Paid-up capital, say £25,000, being £5 per share on each of the above 5,000 shares.

Fixed capital, if applied or spent in the purchase of property as a permanent investment, with no intention to sell it again, is regarded by some persons, as not liable to deterioration, waste, or diminution in value ; and no provision therefore, it is said by them, is necessary to guard against these contingencies, although it is manifest that by effluxion of time, waste, or other incidents, an entire loss of capital may arise ; whilst there are others who assert, with a greater amount of reason and consistency, that active and passive capital alike at original values, must invariably be preserved intact in assets, before a division of any kind is made amongst the shareholders.

It is thus by logical inference declared, by some judges, that no periodical valuation of assets is necessary; and no reserve, sinking or other fund, need be set aside out of profits, to make good any waste or diminution in the value of the assets in which the capital has been invested. Such precautions as were in former ages considered judicious and essential in these respects, are not obligatory and may now be dispensed with, and so-called profits may be divided without regard to losses, until a total exhaustion of capital and assets is effected, the shareholders ruined, and the company's creditors placed entirely in the cold. It is a mere matter of internal arrangement, say they, which the shareholders can adjust among themselves, regardless of the rights and interests of the outer world.

The Lord Chancellor in the most recent case decided in the House of Lords.—The Mid-Wales Bank v. Cory—was cautious enough to give no expression of opinion as to what were profits and what was capital; problems which at times he regarded as very difficult and impossible of solution. The practical effect of this decision, was the promulgation of a very startling and dangerous doctrine; viz.:—that a loss through

bad debts was a loss of capital only, and not such a loss as need be charged in account against profits, prior to a distribution of dividends among the members; that directors were not guilty of any irregularity in paying dividends, without sufficiently taking into account the bad debts which had been so contracted; and that the dividends in question could not have been paid "out of" capital, inasmuch as a loss of capital which had already been sustained, rendered any subsequent application or disposition of a commodity, which had been so lost, an impossibility. The dividends, therefore, according to their judicial reasoning, had only been paid "notwithstanding the loss of capital" and not "out of" the capital of the bank.

The capital of a bank would in the nature of things, be the last possible loss which could be sustained. The whole capital as originally subscribed in cash, would necessarily from the outset, be actively employed in its business, until the last hour of its existence. The only logical inference is that the House of Lords assumed that the whole bank capital, through reckless speculation or giving indiscriminate credit, must have been lost, to the knowledge of the directors, and that the dividends in question had been paid by

them out of their customers deposits, which in their Lordships opinion was a more commendable proceeding on the part of the directors, than applying any available surplus assets of their own to that special purpose. At any rate the Lords fully approved, and justified the conduct of the directors in question, and gave judgment in their favour.

In all other enterprises, whether manufacturing, industrial, or trading, the moneys originally paid up as capital are immediately applied and converted into assets, sometimes retaining a small working reserve in cash. The exhaustion and conversion of capital, as such, is therefore immediate and complete, and in the language of the judges, there can be no further application of capital which had been appropriated, seeing that, as capital, it ceases to exist or loses its identity on entering upon a new stage. What meaning therefore, can be attached to the numerous terms which are constantly applied in the courts to expenditure and loss, as being payments out of capital, loss upon capital, charging to capital, and loss of capital ?

Nothing can be paid out of capital, which has been already appropriated or exhausted, and, it is equally clear, that nothing can either be lost, out

of that which is non-existent, or charged against it; and the two factors of capital and loss are therefore in no way correlative. Capital, as already stated, must always stand to a credit account, in a well conducted concern, as a permanent partnership liability, and it must also remain intact, all losses being charged direct to the profit and loss account.

Any loss, once made, contines to be loss until made good out of profits or replaced by the members in money. The absurdity of the technical distinction between a genuine loss and a loss of capital is obvious enough from Mr. Justice Buckley's familiar shipping illustration, when stated in a simpler form, so as to be the more easily understood.

A company having a capital of £100,000 in £100 shares fully paid up, spends the whole in building four ships of £25,000 each. They require no working capital, the freight advances being sufficient to provide for their disbursements, and the company take their own marine risks. In the first year one of the ships becomes a total wreck, being uninsured, and the £100 share was thereby instantly reduced in value to £75. The loss was clearly that of an asset, but what ground exists for the legal contention that it was

a loss of capital? It was purely a loss which could only be dealt with, by a replacement in money of the £25,000, wherewith to build another ship, or by a retention of profits until the £25,000 lost had been made up. On the other hand the shares of £100 each could be reduced at once to shares of the value of £75 each.

The members might however be advised, in such a case, to carry the loss direct to profit and loss account, and sanction the payment of dividends, although there was a balance to the debit of the profit and loss account, that being a common course of proceeding, and one which is at present authorised by law. This method is unsatisfactory, as it fails to exhibit to the members a true and correct view of a company's affairs, whilst there is a perfect remedy at hand, which would not only enlighten the members and outsiders, but relieve an auditor of all responsibility.

The company's capital of £100,000 having been placed on the debit side of the balance sheet, there should appear on the credit side thereof as property, the real value of the three vessels at cost, say £75,000 less their depreciation; together with another item, designated as loss and depreciation, or other suitable definition representing

the £25,000 lost, plus the deterioration of the three vessels. The profit and loss balance, being limited to the working of the three other vessels, would thus form an entirely distinct item in the balance sheet, and it could be dealt with as the members might arrange among themselves. The actual loss by depreciation or extinction of assets would thus be clearly expressed on the face of the balance sheet, without any concealment, thereby complying with the requirements prescribed by the Court of Appeal in that respect, and the practice of charging loss to capital account, would also be exposed, so as to lead to its discontinuance.

The charging of revenue items to capital account is a bad and common practice, not sufficiently understood. It is in many instances only a representation as to the company's assets being of greater value than they really are, to the extent of the amount so improperly charged, and it is also a concealment of actual losses which have been sustained. This applies in a very marked degree to railway accounts as already shown in the Midland case, there being no control over these companies on their charging losses incurred by unprofitable speculations, or through bad debts, as if they formed por-

tions of the actual cost of construction, and had a substantial existence as assets.

From a balance sheet in the form above suggested, the members could clearly see their position, so as to determine whether the measure of their insolvency, being the extent of the loss shown, should be allowed to stand permanently on their books as an indisputable loss, or whether it should be reduced by a gradual relinquishment of dividends until it disappeared from the accounts.

In short, whenever the assets of a company, at their real value, do not equal the amount of its paid up capital and liabilities, there must have been a loss incurred, to the extent of the difference between the two amounts, and, on the other hand, if the assets, at their real value, exceed the paid up capital and the company's liabilities, the surplus is the amount which is properly assignable to the payment of dividend, and reserve investment against future loss, deterioration or other contingency.

These principles however are never observed by railway companies in the management of their affairs, although the importance of presenting their accounts in as clear and intelligent a form as possible is universally recognised.

Railways are, to a great extent, national institutions, founded under parliamentary sanction, with obligations and guarantees to the public, which are imposed upon them, although not strictly enforced, by the Board of Trade, the public nevertheless considering they are safeguarded by the supervision of the Board.

The Board exercises a certain degree of control over railways, but it has erred in allowing too much freedom with regard to the application of the capital sums raised, and moneys borrowed, under parliamentary authority. The investing public have consequently been lulled into erroneous ideas, not only as to the real worth of this official control, but as to the true values of railway share capital and debenture securities; being wholly unaware that the Board of Trade have throughout exercised no supervision whatever over the disposition of the principal moneys so raised. The Board merely adopted, very early in the career of railway adventure, a policy of non-interference in their financial concerns. This no doubt was resolved upon with the approval of Parliament, under a belief that while the public are naturally concerned in the solidity and stability of railway companies, to which Parliament had given large

exclusive powers, these objects are in most cases best secured by leaving their entire control in the hands of the shareholders themselves.

The Board of Trade were not justified in adopting this "*laissez-faire*" policy, but they certainly have throughout been consistent, in their adherence to it, in many other respects. When asked on one occasion, by a body of commercial men, to take steps for the purpose of determining authoritatively, all questions as to the nature of the assets which companies might properly divide among their members as net revenue, a Departmental Committee was appointed to consider the subject. It was presided over by Lord Davey,—Mr. Justice Chitty and Mr. Justice Vaughan Williams, being also members of the committee,—together with various commercial men and chartered accountants. Mr. Whinney, F.C.A., sent in a paper asking them, in effect, to define what were profits. The answer of the committee in making their report is thus set forth :

"The departmental committee appointed by "the Board of Trade were asked to formulate, "under the statutory form, the principles and "conditions on which revenue might be divided "as profit. The committee thought it was too

" complex and difficult a matter for them to " undertake as part of their general enquiry, and " they recommend that, if it be thought desirable " to formulate the law on this subject, the " question be referred to a small body of experts, " specially appointed for the purpose." The Board of Trade, on being further asked to appoint such a committee, declined to do so.

We are thus left in the same chaotic confusion on this question of net revenue, as that which exists with regard to the hopelessly involved and diversified classes of capital of joint stock undertakings.

In 1867 many of the railway companies were in great financial difficulties, and legislation became imperative, for extricating them from the mess into which they were involved, as to the adjustment of their capital accounts, and the subsequent management of their affairs. In reporting upon the difficulties of arranging the capital accounts of the railways, the commissioners who were appointed to enquire into and report upon the various matters, recommended that parliament should relieve itself from all interference with the financial affairs of railway companies, and leave all such matters to be dealt with by the companies alone.

With regard to other subjects referred to them, the commissioners also recommended that parliament should limit its own action to regulating the construction of the lines, and the relations between the public and the companies so incorporated, requiring such guarantee as might be necessary, for the purpose of securing the due performance of the conditions upon the faith of which the parliamentary powers of the companies had been granted.

The Brighton Company in 1867 applied for permission to issue shares at a discount, and as the Great Eastern, the Chatham and other companies were in similar straits, permission was granted for such issues at a discount, as being the only apparent means of relief then available.

The Chatham and Dover paid or allowed discounts on their issues amounting to £1,112,000, the Great Eastern £1,147,000, the Sheffield £649,000, the Metropolitan District £549,000 and the Brighton Railway £586,000, but all these items were charged to the capital accounts of the various companies, and this method of finance only added to their difficulties, instead of affording the anticipated relief.

The South Coast companies applied in 1868 for

powers to divide their ordinary stocks into two classes of preferred and deferred ordinary, at the option of the stockholders, these companies thus becoming the notorious pioneers of the process known afterwards as "splitting stocks." The clause authorising this division in the Regulation of Railways Act 1868, was actually copied from the South Coast Companies' Bill of the same session, and it was only sanctioned by Parliament after encountering the most strenuous opposition in the Lords, on the ground that the proposal was solely introduced in the interests of stock-jobbing, and that it could result only in unwholesome gambling and over-speculation.

The clause as introduced (Section 13) permitted the division of ordinary stocks into six per cent. preferred and deferred stock in equal portions and it laid down, with great elaboration, the precise conditions which should govern that operation. The result however was, that, except in a few cases which occurred shortly after the passing of that Act, no advantage was taken of the section referred to.

The Brighton, the South Eastern and the Great Northern Railways were among the few companies who divided their ordinary stocks in the manner so authorised, and the misgivings

of the Lords as to the effect of these divisions on the Stock Exchange markets, were amply verified in the subsequent history of these companies. The object of "splitting" the stocks of these companies was intentionally designed, and clearly undertaken, for the express purpose of giving a speculative element to the "A" stocks, and it thoroughly succeeded in effecting this undesirable end. It divided the ordinary into three classes of stocks viz. :—the undivided held by those who made no change, and the preferred and deferred stocks. The deferred "A" stock, which constituted an exceedingly small proportion of the whole capital, became the great centre of the wholesale and pernicious gambling and over-speculation which arose out of the change, and this has existed more or less from the year 1868 to the present time.

The holder of undivided ordinary stock has throughout received precisely the same income as he would have secured by conversion into preferred and deferred stocks of equal amount; and, as he probably purchased his stock for investment only, no change was necessary or desirable so far as he is concerned.

The main object in "splitting" the ordinary stock was no doubt to render it more marketable,

as two additional classes of buyers would be created by this process, and the market values of the split stocks thus improved, would somewhat exceed the market value of their equivalent in undivided ordinary stock.

Having regard to the price of money in 1868, a six per cent dividend was fixed upon as a desirable rate for preferred stock, on an equal amount of deferred stock being issued with it. The great importance however of maintaining for the deferred shareholders a sufficiently substantial interest in the undertaking for all time, so as to guard against injury to the shareholders by over speculation in the deferred stock, did not receive sufficient attention at the time of the passing of the Act. The danger might have been averted subsequently, on other companies obtaining splitting powers, by reducing the rate of dividend on the preferred stock below six per cent, or changing the proportions in splitting, by allocating one third only of the stock to the preferred stockholders, and retaining the remaining two thirds under the control of the deferred shareholders.

CHAPTER IV.

Duplication of stocks and "nominal additions" to capital and loan accounts. Parliamentary inquiry into duplications and conversions of stocks. Provisions of Trustee Act, 1893. Midland Company's Act, of 1897. Market share lists. Extinction of trustee stocks. South Eastern trustee stocks. Position of debenture holders generally. Railway capital as raised and spent. Earning power, working expenditure and net earnings of railways. Dividends paid on ordinary stocks in 1900. Statistics of third class passenger traffic. Board of Trade and capital expenditure. Nationalization or state ownership of railways.

INSTEAD of resorting to one of the simple expedients defined in the previous chapter, either of which would have proved effective for the protection of the shareholders, many railways obtained power to duplicate or water their stocks by making "nominal additions" to them, thus crediting every holder of ordinary stock upon which a hundred pounds had been paid, with an additional amount of "nominal" stock.

The adoption of this system of finance commenced in 1876, and it was continued systematically under the approval of the Board of Trade

until the year 1890, when the Board found it altogether difficult to resist the numerous proposals then in contemplation for duplication, as being strictly within the principle of the general policy of freedom in such matters, which the Board had always observed. The Board however considered that, if this freedom were to be at all generally conceded, it was most important that they should retain a record for public purposes, of the actually paid up as distinguished from nominal capital. The Board therefore insisted upon the actual paid-up capital being always recorded in all railway accounts and directed returns to be laid before Parliament, leaving the railway shareholders to add such units to their capital, for the purpose of buying and selling, as suited them best. At the same time the Board were in grave doubt and mystification as to whether the duplicators had established their case, and they wished to see the matter properly debated and the whole thing thrashed out.

The Caledonian, Great Northern, South Western and Isle of Wight Railways were in 1890 desirous of obtaining powers for duplication of their stocks, on the ground that on conversion, the stocks in their new form, would be more

convenient and attractive to investors, and therefore advantageous to the proprietors. The four measures were referred for consideration to a select committee of five members appointed by the House, and four members chosen by the committee of selection, and on the 13th June 1890 the select committee made their special report to the House of Commons upon the matters referred to them.

Evidence was taken of officials of the four companies in support of the Bills, and certain representatives of the Board of Trade, the Stock Exchange and various joint stock banks; that of the railway officials naturally being, with slight exceptions, in favour of the duplication of stocks. One of the railway officials however stated there was no reason for his preferring duplication to splitting, beyond the fact that there would be less tendency to speculation under the duplication method. Another stated that he knew there was a strong feeling on the board of the London and North Western, and, as he believed, on the part of the Great Western also, against making any change whatever. A third witness of the railway companies was strongly opposed to duplication altogether, on the

ground that if the proportion of the deferred stock could be increased, it was a far better method than watering or duplicating the stocks.

The Board of Trade representatives, in accordance with their usual policy of non-interference, stated as to the question of the alleged danger of stock jobbing and other possible mischiefs to investors generally, or to shareholders in particular, that those matters were if possible best left to the shareholders themselves. As far as the public interest is concerned, the Board expressed no opinion, otherwise than by stating that, if there is no insuperable objection, the matters in question ought to be left to the shareholders. The Board considered that the important point with reference to fluctuation is the proportion of the total income which is given to the deferred shareholder, and if that proportion is small, the fluctuation in the deferred stock will always be very great.

The broker confirmed the latter statement of the Board of Trade by saying that the Brighton, Dover and the Sheffield "A" stocks, being small in quantity, were easily manipulated on the Stock Exchange. He thought the duplication of stock

was merely a matter of self-defence, and he would rather not have stock duplicated at all. On principle he did not like it, because it is a misrepresentation of capital. It does not represent the actual fact. There is not, as he stated, one nail, there is not one sleeper put fresh down on to the railway for this duplication. He considered it very necessary that the Board of Trade should insist on the original capital being always placed on the face of the account, so that there should be no doubt as to what the real paid up capital was. On the Stock Exchange official list, if there is a capital of ten millions, and it is duplicated, that would appear in the list as twenty millions.

The banker's views were, that if sub-division is to take place, the deferred stock ought to be maintained as a large and substantial stock, possessing a solid value, without the risk of its ever becoming a mere plaything in the market. It should always possess a substantial interest in the revenue of the railway company. He thought it was the duty of the duplicators to prove their case. The thing which is to fluctuate is not the nominal amount of the stock; it is the value of the stock on the market; and he did not think that the value of the stock on the market will be

materially different, whether, after resolving on sub-division, the stock were split or were duplicated. He approved of splitting rather than duplication. He thought it was better and more intelligible, although there was nothing in it—or rather, there would be nothing in it,—if everybody was an expert in figures. He was afraid that everybody was not an expert in figures, and that it might lead to misapprehension in the minds of investors. He thought that having the accounts of a railway in a clear and intelligible condition, was a matter of great importance for the general investor, but it went beyond the mere interests of shareholders and investors. The commercial interests of the nation were affected, as railways were great national institutions, a certain status having been assigned to them, or given by Parliament, in the public interest; all sections of the community are therefore more or less interested in their fate, and it would prove a national calamity if the railways got into the hands of unscrupulous speculators.

In order to test whether the market quotations of English Railway Ordinary Stocks are easy of comprehension or misleading, the Stock Exchange daily official lists and the monthly lists which stockbrokers regularly circulate among their

customers contain the following details which are now set out for consideration, just as they have appeared in the lists since December 1900.

Railway Ordinary Stocks and Shares.

Name of Company and Stock.		Present Amount. £	Paid. £
Great Eastern	Ordinary	13,262,886	100
Great Northern	Preferred Converted Ordinary 4 per cent.	10,908,387	100
	Deferred Do.	7,272,254	100
	Consolidated Do. "A"	1,159.272	100
	Do. "B"	1,159,275	100
Great Western	Consolidated Ordinary	27,902,140	100
Brighton ...	Ordinary	3,235,140	100
	Preferred Ordinary 6 per cent.	2,751,230	100
	Deferred Ordinary ...	2,731,230	100
North Western	Consolidated Ordinary	42,731,878	100
South Western	Do. do.	8,894,885	100
	Preferred Converted Ordinary 4 per cent.	3,189,620	100
	Deferred Converted Ordinary	3,189,620	100
Midland ...	Preferred Converted Ordinary 2½ per cent.	37,022,451	100
	Deferred Converted Ordinary	37,258,386	100
North Eastern	Consols	28,028,927	100

On perusal of these extracts and especially the paid column, all persons, whether experts in figures or otherwise, would naturally assume

that in every case £100 per cent. had been paid in cash upon each of the specified blocks of stock; but, with the exception of the Great Eastern, Great Western and Brighton stocks, the whole are more or less misrepresentations of facts and improper concealments from the public of the actual paid up capital. The additions to the ordinary stocks of the North Western and North Eastern were however small in amount.

From what has been stated with regard to the Midland Railway conversion of ordinary stocks, it is perfectly clear that 50 per cent. only was paid upon each of their two classes of ordinary stock. The nominal additions to the ordinary stocks of the above companies amount to 43·8 millions, forming part of the 186·6 millions of nominal additions mentioned in the Board of Trade general report, issued in October, 1901.

We have thus had for many years in this group of ordinary railway stocks, those known as ordinary, as preferred and deferred ordinary, as preferred and deferred converted ordinary besides consolidated "A" and "B" ordinary stock and "consols," and, in the midst of all this confusion, the Trustee Act, of 1893, was passed.

The first section of this Act provides that "a

"Trustee may unless expressly forbidden by the "instrument (if any) creating the trust, invest "any trust funds in his hands, whether at the "time in a state of investment or not, in manner "following, that is to say :—

"(*g*) In the debenture or rent charge or "guaranteed or preference stock of any railway "company in Great Britain or Ireland incor- "porated by special Act of Parliament, and having "during each of the ten years last past before "the date of investment paid a dividend at the "rate of not less than 3 per centum per annum on its "ordinary stock."

Now, there is nothing in the definition section —No. 50—of this Act, to explain the meaning of either of the expressions "preference stock" or "ordinary stock," so that questions may arise as to whether the "preferred ordinary," or the preferred converted ordinary stocks are preference stocks, within the meaning of the section, or whether the railway companies are required to have paid, during each of the ten years, not less than 3 per cent. dividends on the deferred stocks, or on their nominal amounts.

In any case, in the event of failure on the part of any railway company having trustee stocks, to pay in any one year the stipulated 3 per

cent. dividend, trustees would be prohibited for about twelve years afterwards from investing under the above sub-section (*g*) in any of the guaranteed preference or debenture stocks of the company so failing, and it would not be an easy matter to gauge the anxiety of trustees and others, which might arise on the happening of such an event.

However sub-section (*o*) of the same Act enables trustees to invest "in any of the stocks, "funds or securities for the time being autho- "rized for the investment of cash under the "control or subject to the order of the High "Court."

The investments under this sub-section are regulated by rules of the supreme Court, which authorise cash under the control of the Court or standing in Court in any cause or matter to be invested "in debentures or preference stocks of "any railway company which has, for ten years "before the date of investment, paid a dividend "of any amount on its ordinary stock."

The Trust Investment Act, 1889, in section 3 and its sub-sections (*a*) to (*o*) as far as relates to English railways is expressed identically in the same terms as section 1 of the Trustee Act 1893, with its sub-sections; so that the legislature by

adopting the same words throughout practically determined that no alteration whatever was necessary with regard to the authorised investments by trustees in railway securities, and reserved the option to the trustees of investing their trust funds either under sub-sections (*g*) or (*o*).

There can be no doubt that the draughtsmen of the two bills did not exercise sufficient care in framing the two sub-sections as there is a serious discrepancy between them which an ordinary M.P. would probably not discern.

The Midland Railway Act, of 1897, in order that the 3 per cent. dividend on their ordinary stock should be calculated on the original amount of their ordinary stock before conversion, and to the exclusion of their nominal additions, contains the following provision, no doubt inserted as a precautionary measure—"Section 67. The company "shall notwithstanding the conversion under the "powers of this Act of any ordinary stock "continue to ascertain and declare their "dividends on the amount of ordinary stock "which would have been entitled to dividend if "no such conversion had taken place and the "dividend so declared shall for all purposes "including the Trustee Act 1893, and the

"Trusts (Scotland) Amendment Act, 1884, be "held to be the dividend upon the ordinary "stock of the company."

In fairness to those weaklings who may be seeking investments in ordinary stocks, without being experts in accounts, or familiar with the eccentricities of capital manipulators, the Stock Exchange Committee might surely, if even for the credit of "the House" alone, make an effort in the cause of truth, by forbidding in future the classification in their daily lists of such ordinary stocks as the Great Eastern and Great Western with those of the Midland Railway in the form set forth in these pages, as it is unfair to the companies and the public also. They might state truly, as the fact is, that 37 millions only have been paid on the ordinary stocks of the Midland Company. The present representation as to 74 millions having been paid is untrue, and this observation applies equally to all the other cases in which duplications of ordinary capital have been effected.

Nothing was elicited before the Select Committee in 1890 to justify duplication of ordinary capital, and it is, as before stated, an absurdity which should never have been imported into railway or any other accounts,

even with the sanction of so august a body as the Board of Trade. This only emphasises the well attested fact that the most vital interests and destinies of the nation during the past century have been, and still are, principally entrusted to the care of incompetent, indolent and weak officials.

Railway directors too, as we shall presently see, are not drawn from such classes in society as are most amply endowed with sound judgment and business ability, otherwise we might have heard by this time of reserves being set aside by weak companies out of the profits of prosperous years, to guard against any failure in bad times to pay the stipulated 3 per cent. dividend under the Trustee Act, and any consequent derangement of their trustee stocks.

The South Eastern Company, in consequence of this neglect, failed to pay for 1901 a three per cent. dividend on their ordinary stock so that their former trustee stocks, of the nominal amount of 18·68 millions and a market value of 23·6 millions, thereupon ceased to be classified as "trustee stocks" in which trustees were allowed to place trust funds under sub-section (*g*) and could only rank as High Court stocks, in terms of the sub-section (*o*) previously set forth. The

Great Eastern and the Brighton Companies, it is said by compent judges, are also even now perilously nearing the point at which such a similar derangement might possibly occur. Should the Brighton Company fail in any year to pay the three per cent. stipulated by the Trustee Act the consequences would be very serious indeed and their trustee stocks which are now of the present market value of 25·82 millions, would deteriorate in value.

The cautious and speculative investors alike are always liable to rude and violent awakenings as to the dangers of the quiescent policy of the Board of Trade, in allowing railway companies to conduct their own financial affairs in such manner as suits them best.

Railway debenture holders are, to all intents and purposes, mere creditors, pure and simple, of the various companies, having advanced their moneys as loans, at rates of interest agreed at the time; but it seems that these indebted companies have, for benevolent or other reasons, sought to improve the position of their already secured creditors, but, to their own detriment. It would puzzle a very capable expert in figures to explain the reason for making such free gifts;

but, according to the general report of the Board of Trade, this really has been accomplished by railway companies allowing additions, either nominal or real, to their indebtedness to debenture holders, to the extent of 44·24 millions.

To make this perfectly clear to an ordinary reader, a fully secured creditor, having advanced £4,000 at 7 per cent. interest, is suddenly credited by his debtor with £7,000 at 4 per cent., and it is alleged, under the authority of the Board of Trade, that this change made no difference whatever, seeing that, in either case, the creditor received the same amount of annual interest. The only point which could be urged in favour of this operation, was, that the creditor would be still further benefited by possessing a more negotiable security; but why any railway company, as a debtor, should travel out of its way, by adding, as in this instance, £3,000 to the principal sum owing to its own already fully secured creditor, is incomprehensible; and the more so, as the result might lead up to serious embarrassments and difficulties hereafter, in cases where such alterations have been made in principal funds, forming the subject of trusts, under testamentary instruments or deeds of settlement.

Assuming that a settler or testator, having power of appointment over such a fund as this £4,000 so converted into £7,000 stock, should, prior to conversion, have appointed by deed of settlement or will, on his own death or that of another, £2,000 of such stock, in favour of one child to the exclusion of others, it is only reasonable to anticipate that questions might arise in the family, as to whether £2,000 of the £4,000 stock, or £2,000 of the £7,000 stock, passed under the appointment, and whether the unappointed portion of the £7,000 converted stock was £3,500 or £5,000. These duplications and conversions are therefore liable to become perplexing, to the holders and their legal advisers, and they are calculated to lead up to intricate complications and disputes, the consequences of which, in such a case, would far outweigh such advantages as may have arisen from the change.

There can be no doubt whatever as to the fact that many serious troubles of railway companies have arisen from the facility with which the companies have been able to raise capital, owing to the price of money for many years having been abnormally low, and the consequent inflation of the market values of all railway and other securities.

In addition to the ease with which railway capital has been raised by the companies, their improvident expenditure of capital moneys, regardless of the question whether such expenditure would be productive of increased earning power, has been another prolific source of disaster and failure.

These capital sums so raised, having in many instances been wasted on new works, or additions to working stock, which have not yielded a proportionate increase of earnings, have only proved an additional burden on the undertakings, which has invariably resulted in reductions of dividends.

Directors have also been tempted into such irregularities as the falsification of their accounts for the purpose of augmenting the profits shown on their revenue accounts, by charging strictly revenue items to their capital accounts, and neglecting the proper maintenance and renewals of their rolling stock, permanent way and buildings.

Whilst the average earning power per train mile has remained almost stationary during the past ten years, the working expenditure has largely increased, so that the proportion which the working expenses of railways in the United

Kingdom has borne to the gross receipts has increased by 7 per cent., viz., from 55 per cent. at which it stood in 1891 to 62 per cent. as the result of the working of the year 1900. In fact the working expenditure for 1900 on English railways was rather more than the average of the United Kingdom as it amounted to 63·1 per cent., the gross receipts having been 83·97 millions whilst the working expenditure was 53 millions. The net earnings therefore being only 30·97 millions, represented 36·9 per cent. only of the receipts.

This comparison of the working expenses with the gross receipts, only proves the steady continuance of the tendency which had existed in former years, of the net earnings to decline; inasmuch as the proportion in 1860 which the working expenses bore to the gross receipts in that year was only 47 per cent., and consequently the net earnings were then at the rate of 53 per cent., as compared with the present 36·9 per cent.

The Board of Trade reports state that this general tendency of the net earnings of railways to decline, is also shewn by the proportion which the net earnings have borne to the share and loan capital during the past thirty years, quin-

quennially estimated by the Board of Trade as under :—

The average net earnings of

1871 to 1875	was	4·56	per cent.
1876 „ 1880	„	4·29	„
1881 „ 1885	„	4·22	„
1886 „ 1890	„	4·07	„
1891 „ 1895	„	3·80	„
1896 „ 1900	„	3·64	„

With regard to the dividends which were paid during the year 1900 upon the ordinary stocks of railways in the United Kingdom, it appears from the Board of Trade reports that no dividend whatever was paid on 68·71 millions of railway ordinary capital ; that dividends not exceeding 3 per cent. were paid on 172·27 millions ; and that dividends exceeding 3 per cent. were only paid on 208·02 millions of ordinary capital. The returns shew that the proportion of the net receipts to the total of the share and loan capital was only 3·19 per cent., so that the declension in earning power is beyond all question, and it still continues.

The Board of Trade report contains interesting information with regard to the third class passenger traffic, a subject which deserves more serious attention than it has hitherto received.

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The income from this source is really the mainstay of the whole railway system; but the third class passenger is invariably treated less generously than any of the other patrons of the railway companies.

During the year 1900 the number of third class passengers, exclusive of season ticket holders, who were carried on English railways was 1,038,873,248, being 90·9 per cent. of the whole passengers carried; whereas there were only 103,403,438 first and second class passengers carried, representing only 9.1 per cent. of the total number so carried.

The amount received for the carriage of the third class passengers was £28,215,042, being 81·5 per cent. of the total receipts from all passengers, whereas the amount received from the first and second class passengers was only £6,420,489, being 18·5 per cent. of the total receipts from passengers.

The Board of Trade returns and reports are almost exclusively limited to commercial matters as disclosed by the working and revenue accounts of the railway companies. With the exception of tables showing that the companies up to 1900 had subscribed 38·78 millions of their capital to other undertakings, the returns are destitute of

capital or financial details, or information as to the prime cost of construction of the railways, works, or stations, or the value of their working stocks. They furnish no particulars as to the expenditure on lines which have been abandoned, of losses by speculations of the companies, or sums which have been improperly charged to construction accounts.

The railway companies annually furnish the Board of Trade, under statutory regulations, with the bulk of these details, together with the amounts of discounts under which the original capital had been raised, and the premiums obtained on their subsequent issues of capital; but none of these particulars are in the least degree noticed by the Board of Trade in their returns.

The Board of Trade have in these and other respects inflicted serious injury on the public, by allowing railway companies to manage their financial concerns, in such manner as suited them best; to conceal and suppress material facts, and systematically to misrepresent the actual state of their affairs. The nation has thus been placed in a disadvantageous position, in the event of any further extension of governmental control over railways, ever having to be seriously considered or undertaken.

Nationalization or state ownership of railways,—upon which many volumes have been written,—was at one time regarded, in some quarters, as the only possible cure for railway demoralization, notwithstanding the fact that the undertaking of so gigantic an enterprise, would be attended with unsurmountable difficulties, accumulating in force year by year, with the expansion of commerce and national enterprise. The intermittent Governmental supervision exercised over railways during the past sixty years, has of itself strained to its utmost capacity, the efforts of every successive government; and no Herculean financier or administrator in office, has yet ventured to suggest any approximate price which could properly be assessed to be paid by the nation for the railways in existence.

The organization of the necessary ministerial and departmental army of control, the selection of an immaculate railway controller—who would be essential—with a thousand and one red tapists, for superintending the hundreds of thousands of busy workers, now laboriously occupied on the twenty or thirty thousand miles of railways, of the market value of 1,500 millions, would engage the attention of ministers for many months, if not years, and probably

result in failure. The whole subject, although presenting a tempting bait for political enterprise, must now, in the opinion of many railway authorities, be dismissed as Utopian in the highest possible degree.

It is doubtful whether there has ever existed, any department of the State, which has been conducted on sound businesslike and economic principles. State institutions have, in fact, been called into existence, for the purpose of placing patronage at the disposal of ministers; and official positions thus created, have been filled by men who have gained distinction, principally for indolence, discourtesy and negligence, in attention to duties which have been undertaken by them. Each successive Government, being practically at the mercy of such men as they find in office, accepts their representations, adopts their views and advice, and retains them as permanent officials. They are eventually, when in very good bodily condition, pensioned and let loose on Society, to compete in business circles, with struggling men, for whom no such provision for advancing age is available. If unfitted for business or other pursuits, the status and dignity attaching to effete state officials, render them, in popular

estimation, eligible to figure as directors of public companies, in which light capacity their declining days are frequently brought to a close.

As a rule, the higher the position of the state official, the more immoral is his bestowal of patronage; and consequently, political corruption, originating at head quarters, rapidly augments in virulence. Should any government ever attempt to acquire the sole ownership and control of our railways, it would be necessaay to undertake a large proportion of the national carrying trade by water. Commerce would thus become injuriously affected, and, to an alarming extent, tainted with politics, and subservient, more or less, to the exigencies of the administration of the day. All classes of Society would therefore view with disfavour, both on commercial and economic grounds, the acquisition and working by the State of the national carrying trade by land and sea.

Government would in such an event be dangerously invested with an incalculable amount of patronage, in connection with the construction of new lines and the acquisition of steamers, and their maintenance. The general management and working, embracing contracts for many

millions per annum, would render the authorities constantly liable to attack, and the inevitable charge of using their patronage for political purposes.

The general administration of railway affairs would also be prejudicially affected, and the commercial interests of the nation endangered, on every alternate change of government. The management of all public departments is invariably more complicated and expensively conducted, than that of other enterprises, as the State gets far less work out of its servants than ordinary employers. It has no interest or inducement to work economically, and its general method of conducting business, will bear no comparison with that of public companies or individuals.

With reference however to this important subject, the Cheap Trains Act of 1844 was passed, as stated in the preamble, for the purpose of imposing certain conditions upon railway companies "for the benefit of the public." The second section of this Act, which is set out in the appendix, provides for the acquisition of railways by the State, on terms therein defined, and the statute is still in force; but, so far, it appears to have been practically useless, and some

authorities now consider it only an incumbrance in the Statute Book.

A motion was in May 1888, submitted to the House of Commons to the following effect :—

"That in the opinion of this House, the time "has arrived when the Government should "appoint a Committee or Royal Commission, to "take into consideration the question of acquiring "the railways of the United Kingdom, in "accordance with the provisions contained in "the General Railway Act of 1844;" but the motion failed to meet with any material support, and was in fact negatived.

An Italian Commission of Enquiry had during three years, from 1878 to 1881, been engaged closely on a full consideration of the whole subject of the State acquisition of railways, based upon the general experience of the railway world, and the results of their labours are thus summarised in Professor Hadley's Railroad Transportation.

"1. Most of the pleas for State management "are based upon the idea that the State would "perform many services much cheaper than they "are performed by private companies. This is a "mistake. The tendency is decidedly the other "way. Private companies can do for their

" patrons many things which the State cannot ;
" but it is doubtful whether the State would be
" justified in doing anything of the sort which
" private companies cannot. The State is much
" more likely to attempt to tax industry, it is
" more omnipotent and less responsible than a
" private corporation.

" 2. State management is more costly than
" private management. Such at least was the
" conclusion of the commission on comparing the
" results of the two systems. The differences
" which they bring out are quite marked, though
" it is fairly open to question just how much
" they prove. Comparing State and private rail-
" roads in different countries they find that the
" ratio of operating expenses to gross earnings is
" always greater on state railroads averaging
" 11 per cent. more in all the countries com-
" pared. In their more detailed comparisons the
" Commission take carefully into account the
" various elements which involve cost of handl-
" ing ; but unfortunately they do not take up the
" question whether the rates charged on the State
" railroads considered may not be lower than on
" the private railroads—a thing which would
" make the per centage look unfavourable, and
" yet be rather a credit to the management than

" otherwise. We cannot therefore accept this " point without reserve.

" 3. The political dangers would be very great. " Politics would corrupt the railway manage- " ment, and the railroad management would " corrupt politics. These effects have already " been seen in actual working. Changes of rates " are made for the sake of influencing elections. " A questionable experiment was recently made " in Belgium in the matter of railroad tariffs ; it " had been adopted by the Government as a " means of currying popular favour—a kind of " bribery to which there is great temptation. It " would not be hard to find similar instances on " both sides of the Atlantic."

CHAPTER V.

The share and loan capital, working stocks and directors of principal railways—Directors as masters and dictators—Shareholders' advisory committees — Relationship of directors and shareholders—Absentee shareholders—Suppression and concealment of facts—Duties of auditors to shareholders and the public.

FROM what has been already stated, and a consideration of the following facts, appearing by the recorded transactions of the eight principal railway companies previously mentioned, as having been existent at the close of the year 1900, the reader may, not only acquire some useful information with regard to the several companies, but, at the same time, be enabled to venture on a general estimate as to the future prospects of our other home railways.

The length of the lines owned and worked by these eight companies was 13,486 miles, the total length of lines in the United Kingdom open for traffic being 21,855 miles.

The paid up share and loan capital of the same companies, amounted to 517·36 millions, being a

large proportion of the 989·2 millions of share and loan capital of railways in the United Kingdom, and the eight companies had available powers to create 30·83 further millions of share and loan capital, of which they had already spent 7·11 millions by anticipation.

These eight railways had received as premiums on their new issues of stocks 60·29 millions in cash, the whole of which had been disposed of, without writing down any portion of the amounts improperly charged in their construction accounts, but which amounts are nevertheless still standing in their books as represented by real assets.

Six of the eight companies had nominal additions to their share and loan capital amounting to 117·4 millions, whilst the capital and loan accounts of the other two companies had not been deranged or materially disturbed.

The paid up share and loan capital of the eight companies, with the nominal additions thereto, and the premiums on issues of their stocks, made up a total of 695 millions, but the whole details of this large capital sum, were entirely omitted from their balance sheets, as the aggregate of all the items which appear in the

balance sheets of the eight companies only represented 32·82 millions.

The affairs of the eight companies were controlled by 122 directors, consisting of 16 peers, lords and viscounts; 31 right honourables, honourables, and members of Parliament; 24 naval and military retired officers, baronets and knights; 32 justices of the peace; and 19 others who were probably professional or business men. These directors were paid annually for their services £68,140 being at the rate of £5 per mile on the 13,486 miles owned and worked by the companies as above stated. The 122 directors held collectively 424 seats on railway and other boards of direction. Of the directors, constituting one-fourth part of their whole number, viz., 31, each director held five or more seats on boards; and of the entire number, 24 only held one single seat each, on one of the eight railways.

Five of the Great Eastern directors held 29 seats, seven of the North-Western directors held 44 seats, five of the Brighton directors held 39 seats, and five of the Midland directors held 34 seats. Of twenty railway directors, who were engaged on no other board whatever, the Great Northern could claim three, the Great

Western five, the Midland six, and the North Eastern six. The whole of these details are fully set forth in the appendix.

By the cash accounts of these companies, it is stated that the cost of their rolling stock was 71·69 millions, the average cost of this equipment being at the rate of £5,323 per mile. This rolling stock consisted of 13,286 locomotives, 40,088 carriages and vehicles, and 434,541 merchandise waggons. These figures, calculated on the 13,486 miles owned and worked, represent about one locomotive, three carriages, and 32 waggons, for each worked mile.

The following tabulated statement shows the whole of these items in detail.

Name of Company.	Number of Miles Worked.	Number of Locomotives.	Number of Passenger Carriages, etc.	Number of Merchandise Wagons, etc.	Cost in Millions
					£
Great Eastern ...	1,274	1,041	4,957	25,699	5·10
Great Northern...	1,181	1,315	3,282	37,704	7·28
Great Western ...	2,858	1,988	6,544	58,878	12·02
North Western ...	2,922	2,984	9,219	72,159	10·62
South Western ...	958	733	3,920	13,274	5·17
Brighton	487	489	3,091	9,953	3·18
Midland	2,002	2,615	5,244	118,626	16·19
North Eastern ...	1,804	2,121	3,831	98,248	12·13
	13,486	13,286	40,088	434,541	71·69

As the rolling stock of none of these companies bears a resemblance in nature, quality or value, to that of any of the others, it would be difficult to formulate an approximate stock taking of the whole, or to determine any all round figures upon which to estimate the respective values of the several groups of rolling stock, at which they could fairly be taken, as being in use by the railways as going concerns.

All writers on railway statistics invariably complain of the secrecy maintained, on material points in the accounts of the companies; and they affirm that, in the general absence of details, it is impossible to determine whether dividends have been paid by the companies for many years out of their capital or not. The reports and accounts of the companies which reach the public, suppress all information on this point, beyond the bald stereotyped assertion that revenue items are always charged to profit and loss. It is only by means of a critical enquiry into, and an analysis of accounts, probably extending over a series of years, that any insight into the working, character, and position of a railway company can be acquired.

In harmony with the principles on which railway accounts are universally prepared, the

details of the separate cost or value of the several groups of rolling stock, viz., locomotives, coaching and merchandise vehicles, are not introduced into the accounts of recent years. Under such circumstances a clever expert in such matters, without an intimate knowledge of the rolling stock of a company, would have difficulty in certifying or forming an opinion as to its approximate value.

In June 1882 the North Western declared their working stock at £7,911,206, made up of locomotives £3,502,344, coaching £1,335,452, and merchandise £3,073,330, but the values of the three corresponding groups of rolling stock of the company in 1900 are not separately detailed. However by assessing the several groups of their 1882 or 1900 rolling stock, at any values common to all the other companies, or on any variation in the figures, the rolling stock of the North Western appears to have been the most fairly valued at each period.

The figures suggested hereafter are not intended to be understood in any way, as an arbitrary basis on which to determine the approximate values of the rolling stocks of the companies as going concerns, or any of them, but only as a means of contrasting the approximate value of the rolling

stock of any one company, with that of the other seven.

If the North Western railway stock is a fair average of that of the other seven companies, the worth at which each of the several groups of items is stated, may be considered as fairly assessed. The comparision may be to the advantage of one company, having regard to the bad quality and condition of its rolling stock, whilst another company would suffer by it, from the fact of its stock being somewhat under-valued, when its original costliness and the character of its subsequent maintenance are taken into consideration. In any case the expedient now resorted to is only an unavoidable concomitant of the companies' reticence and neglect to furnish necessary information.

The classifications by the companies of their groups of working stocks, differ entirely from each other. The "coaching" or passenger vehicles, embrace ordinary carriages, composites, saloons, bogies, composite guard brakes, vans, horse and cattle boxes, open and covered carriage trucks, break vans, luggage and parcel vans, post office and sorting mail vans. Having regard to the lengthened periods during which this variety of vehicle is allowed to run, an average of £150 for

each item, would probably be a fair and reasonable value to place upon this section of rolling stock as in use in a going concern, notwithstanding additions have been made in recent years of carriages costing from £800 to £1,300 each.

The "merchandise" rolling stock is classified as made up of open and covered goods-waggons, brakes, ballast-waggons, milk and fish vans, mineral waggons, timber, machinery, cattle, coal and coke trucks, and guards brake vans; and, seeing that the wear and tear is very great, they may be stated at an average value of £60 for each item.

Taking the whole of the descriptions of locomotives at an average value of £1,800 each, the accounts of the various companies to December 1900 would shew the following results:—

The value of the North Western rolling stock was understated to the extent of ·46 million. The South Western stock was over-valued by 2·47 millions, being 90 per cent. in excess of its value; the Brighton stock was over-valued by 1·24 million, being 63 per cent. in excess of its value; the Great Western was over-valued by 3·92 millions, being 48 per cent. in excess of its value; the Great Northern was over-valued by 2·15 millions, being 41 per cent. in excess of its

value; the Midland was over-valued by 3·57 millions, being 28 per cent. in excess of its value; the Great Eastern was over-valued by ·95 million, being 22 per cent. in excess of its value, and the North Eastern was over-valued by 1·85 million, being only 17 per cent. in excess of its value.

The total of these excessive valuations is 16·15 millions; and deducting the under-valuation of ·46 million of the North Western Railway stock, there remains 15·69 millions as the net sum in which the values of the rolling stocks had been over-stated. This amount being deducted from the 71·69 millions, returned by the companies as the value of their rolling stock, reduces their real value to 56 millions made up as under:—

13,286	Locomotives at	1,800 ...	23·91
40,088	Coaching	„ 150 ...	6·01
434,551	Merchandise	„ 60 ...	26·07
			55·99 millions

On a sub-division of these statistics, with regard to the working stocks of the companies, some highly interesting facts may be elicited, but some of the figures would require slight modification.

The average cost of the rolling stock of seven of these companies is at the rate of £5,269 per mile, estimated on the amount standing on their books as cost; but this, as has been clearly demonstrated, is greatly in excess of the real worth of the rolling stocks, if valued as in use by going concerns.

The cost of the Brighton rolling stock is charged at the rate of £6,534 per mile, being an excess over the others of £1,265 per mile: which, if multiplied by their 487 miles worked, shews the Brighton working stock, as compared with the other seven, to have been over-valued to the extent of £616,055; but, its excessive valuation by 1·24 million is a far more accurate estimate, each locomotive being represented on their books as worth £2,307, and their "coaching" and "merchandise" vehicles as being of the all round average value of £150 each.

With regard to the numbers and position of the directors of the various companies, and the remuneration they receive for their services, the seven companies pay their directors for the management of their lines, at the rate of £4 14s. per worked mile, whereas the Brighton directors, receive £13 6s. per mile. During the past twenty years the Brighton directors have received

altogether £127,499 for fees, and the average number of miles open and worked, during the same period, has been 464¾. The directors' remuneration therefore has averaged throughout the twenty years ending 1901, £13 14s. per worked mile.

The successes and popularity of railways are not wholly dependent upon the status and composition of their directorates; and the fact that the operations of these eight railways, with their 695 millions of capital, have not been attended with better results need cause no surprise, having regard to the well known inefficiency of many of the directors to whom the shareholders have entrusted the management of their affairs.

The selection of directors, for the purpose of acting as managing owners or servants of a joint stock company, should not be made from ornamental men, who possess no practical knowledge of business, or indeed of any other subject, outside society frivolities. Railway boards especially, should be constituted of sound, clear-headed, and practical business men, who are fully competent, and have sufficient time at their disposal, to deal with the immense varieties of intricate details, necessarily involved in railway

management; whilst it will be seen, from the list of directors in the appendix, that many of them, with great demands on their time, are notoriously unfitted for such work, or even for assisting in the management of any commercial or industrial concern.

Instead of directors being the accounting and responsible agents or servants of their co-partners and employers, and, in a certain sense, standing in a fiduciary relationship to them; they often, by an indecorous use of proxies, and other means, assume the position of masters and dictators; so that the shareholders need protection, not only as against the directors, but more frequently from themselves, inasmuch as they often prove to be weak and stupid beyond expression, in submitting to the tyranny of directors, who sometimes possess little or no monetary interest in their undertaking.

In the appointment of directors, the shareholders are seldom consulted, or have any voice. Assembling once or twice yearly, should the death of a director have occurred in the interim, the board have always ready at hand, and inaugurate, a substitute of their own selection; and on a retirement being contemplated, at a general meeting or otherwise, the precise details of such

retirement are pre-arranged by the board ; so that the gap may be closed at their own time, and by the nomination or appointment of a substitute, of their own choice. At the general meeting, after the happening of either event, the shareholders, as a matter of course, confirm the nomination or appointment of the new director, so that the board, as before, remain masters of the position.

A substantial saving might be effected, by the removal of such directors as, through advancing age or other disability, are unfitted for discharging the duties incident to the office, pensions or allowances being made for past services wh re necessary.

Every body of railway shareholders should establish among themselves, a permanent second chamber, or shareholders' protection, vigilance and advisory committee, having clerical assistance and the use of offices, placed at their disposal, at the company's expense. The committee should consist of a sufficient number of the principal shareholders, resident near the offices of the company. They should frequently visit the various departments, so as to ascertain how their business is being conducted, and they should meet in committee at least once a month,

to compare notes, and consider communications or suggestions from outside shareholders or others, having for their object the protection or benefit of the company, or changes which it might be thought desirable to make in the management. They should keep minutes of their proceedings, and, whenever necessary, report to the shareholders, or submit any recommendations or suggestions to the directors, which might be considered necessary. The committee should keep a record of persons, eligible for service as directors, managers, &c., after having instituted inquiries as to their suitability. No director should be appointed to fill a vacancy, without the shareholders' committee being previously advised or consulted, as to the step in contemplation.

Directors being engaged at agreed salaries, as servants of the company, every shareholder, however small his interest, has a perfect right to the fullest information as to the manner in which these servants employ their time whilst in such service. Besides which, it is only reasonable that shareholders should possess a sufficient guarantee, that they receive value for the salaries which are paid to the servants and agents employed by them.

On every occasion on which the conduct of the company's business by their agents, servants or subordinates, is challenged, or called in question, the officials charged should have every facility afforded them for their defence, with respect to the matter in question. But, as accounting agents or servants, they should not be allowed at general meetings to act in the dual capacity of servants and masters, by voting on matters affecting themselves, as defaulting or incriminated servants of the company, whether collectively as a board, or individually. It should be the sole prerogative of shareholders, outside the board-room, to consider, and decide for themselves, all questions and matters in issue, as to their distinct rights in the selection of their own servants, and their relations to and with the servants whom they so employ and pay for service ; without any interference on the part of those servants, notwithstanding their being part owners of the undertaking.

If these paid and accountable servants, either alone, or through, or with other persons, being members of the company or not, engage in the solicitation for, or the use of, proxies in reference to any personal matter, or to the appointment or removal of any director or

auditor, they should be disqualified in perpetuity, for re-election to any offices, as agents or servants of the company, after the expiration of their then existing term of office.

There are many shareholders who, being unable to attend the general meetings of companies in which they are interested, are never properly informed as to what really transpires at such meetings. Many details, which ought not to be withheld from such absentees, are suppressed by the managers, in such reports of meetings as are issued to the shareholders. These reports should therefore, either be submitted by the directors to the shareholders' committee, for their approval prior to being issued; or the control with regard to these reports, should be entirely removed from the directors, and entrusted to the shareholders, committee, who should also be empowered, at the company's expense, to employ permanently a sworn shorthand writer, with instructions that he should take a full and faithful note, *in extenso*, of all that transpires at every meeting, for submission to the shareholders' committee, who should also be at liberty, either to agree the reports of meetings with the directors, or to print and issue the same to the shareholders, at their

sole discretion, and at the expense of the company.

Every report of proceedings at a general meeting should contain particulars, to be supplied by the secretary for publication, of the amount of stock held by the members who are actually present in person at such meeting, and the amount of stock represented by proxies, held on behalf of absentee shareholders. It might be desirable that the amount of stock, and the period during which it has been held, by every member taking part in the proceedings, should also be stated prior to his addressing the meeting, or commencing any remarks he may have to submit.

The nomination and appointment by the shareholders, outside the board room, of their own auditors, who are engaged by them for their exclusive service, and the relationship which should mutually exist between them, to the exclusion of all officers standing in fiduciary positions, are matters of the most grave importance to all the shareholders, as they sometimes seriously affect the general interests of the concern.

An auditor is, or should be, appointed by the shareholders in a public company, exclusive of

the directors, as their critical servant, to act as a check upon the directors and managers on their behalf; and he should be invested with the fullest possible powers, in order to secure the protection, and safeguard the interests, of those shareholders so appointing him. His power should be absolutely unrestricted; so that he should be able to give free and full expression to his views as to the company's accounts, and the state of its affairs. His freedom and power should, in every other respect, be paramount, in order to secure the fullest protection to those shareholders, who are outside the board room. He should be placed in such a position as to dissociate himself entirely from the directors and staff; and should account to, and consult with, the shareholders' committee whenever necessary or desirable. If his convictions are strong with regard to any of the points before mentioned, he should have unlimited power, fearlessly to give full expression to them, and, at whatever risk to himself, to explain them in sufficiently distinct terms, so as to bring them clearly within the comprehension of every shareholder.

If he consider it his duty to do so, he should insist upon the company's assets being properly valued on business lines, and specifically

declared in the accounts, at their true value; on all funds set aside out of profits, for contingencies or otherwise, being really invested in available and convertible securities; and he should insist on ascertained losses being stated in distinct terms in the balance sheets; so that the capital raised, and the current worth of the assets, are so clearly defined as to be thoroughly understood by all concerned.

Failing to make these various matters perfectly explicit, he should clearly explain the reasons of his inability to do so; otherwise he is acting dishonestly to himself, and the outer world; is disregarding the interest of, and defrauding, those who employ him, and pay him for his work; he becomes a party to wrong doing, inflicts injury on all sides, and tacitly avows himself, as unfit to retain rank as a good citizen, as lacking in moral principle, unreliable, unworthy of credit, and in fact, a mere creature of circumstances, and a tool in the hands of those very persons, in respect of whom he is expressly employed, and paid, to keep in check.

CHAPTER VI.

The Brighton Company. Their published statements as to their career. Comparison of old with new rolling stock. Official recommendations to close capital account. Stock taking of rolling stock. Revenue items charged to capital. Provisions of capital acts. Repairs of rolling stock. Capital expenditure. Recent net earnings and dividends. Fictitious statements of assets. First and third class traffics.

EVERY railway company may be said to possess a certain marked individuality of its own, which is manifested by the manner in which its general business is conducted. The methodical and systematic management of our great northern lines, stands out in marked contrast with the imperfect and spasmodic style in which the southern lines have, throughout their existence, been vainly striving to satisfy public requirements. The success of the northern lines is due, in a great measure, to the ability and energy with which such men as Sir Richard Moon, Sir James Allport, and Sir George Findlay, devoted their lives, and steadily worked throughout, in order to bring to perfection, the splendid organization of their systems, every section of which,

from end to end, is now worked with clockwork precision and regularity. The southern lines, on the other hand, have followed crooked paths of their own; and, instead of aiming at a steady development of their traffic, and dealing fairly with their patrons, they have been uniformly absorbed in domestic and other strife, and have only succeeded in establishing for themselves a thorough notoriety for inefficiency, tyranny, and general obstructivity.

That the Brighton Company has been of a litigious character, from its earliest days, appears by a report of Mr. Samuel Laing, prior to his joining their board of direction. In his capacity of secretary to the Board of Trade, in 1844, he reported as follows :—

"For two years the public have been deprived "of cheap access to the London Bridge terminus "and of the benefit of low fares on the Croydon "railway, owing to a dispute between the "Croydon (Brighton) and Greenwich (South "Eastern) company, as to the amount of toll to "be paid by the former for the use of one mile "and three-quarters of the Greenwich line. The "extent of inconvenience to the public, may be "judged from the fact, that the number of "passengers using the Croydon railway in the

"course of the year, fell off more than 200,000, "owing to the dispute and consequent increase of "fares, and that the Croydon company were "actually on the point of abandoning their traffic "altogether."

It is surely a remarkable instance of the irony of fate, that it was owing to this report of Mr. Samuel Laing, in his capacity as secretary to the Board of Trade, that the public owe the benefit of the Cheap Trains Act 1844 to which reference has already been made. Although Mr. Laing joined the Brighton Company as chairman about twelve years afterwards, the third-class passenger has, from that time to the present, been worse treated on the Brighton line than on any other railway in the kingdom, by exclusion from all fast and express trains, whilst every principal town on the northern lines, has from fifteen to twenty such trains each day, available to third-class passengers.

In some respects, the methods in which railway companies transact their business resemble each other, and every railway company compares its own successes and failures with those of its neighbours; but a more minute inquiry into the inner workings of one of the eight companies previously referred to, may serve as an object

lesson to some of those persons who are interested in railway adventures generally.

The Brighton Company, as already indicated, is well known to have throughout its existence occupied the front rank in every new legislative measure, and, in monetary circles, it has always held a prominent position, no general city article or financial report, seeming to be complete, without some reference to the barometrical fluctuations in its volatile stocks.

The company may therefore be regarded as a typical specimen of the whole group of railways, and its more recent career appears to be very clearly pourtrayed by its published reports and accounts, which may be regarded as incontrovertible, as far as the company itself is concerned. From these documents, it will be seen that the heavy rates of dividends paid by the company upon their ordinary "A" stock, as set out in the appendix, were not properly earned by the company, and that the shareholders have been perfectly aware of this important fact throughout. The effect has been to give that particular stock an altogether fictitious value, and genuine investors have been victimised through the violent fluctuations which have occurred in its market price. Its erratic changes have caused

great anxiety to many investors, who have placed money in the stock for permanent investment, at top prices, and thereby sustained disastrous and irretrievable loss.

These serious losses would have been minimized in an important degree, had the company fairly complied with the provisions of the Regulation of Railways Act 1868 as to the due maintenance, out of revenue, of their permanent way, roads, bridges, buildings, works and stations, and also given an adequate amount of attention to the proper maintenance and renewals of their working stocks and movable effects. In all these respects however the company have for many years systematically and admittedly ignored their statutory obligations, and duties to the public.

The legislative enactments which provide for the proper maintenance and renewals of railway working stocks, permanent ways, works &c. are set forth in the statutory forms of revenue accounts issued half yearly to shareholders under the Regulation of Railways Act 1868 and they are fully detailed in the appendix.

From Abstracts B and C it will be seen that the proper and efficient maintenance and renewals of locomotives, carriages, and waggons

were intended to be strictly enforced against railway companies.

The rolling stock of the Brighton Company in 1872 which consisted of 233 engines and 5,784 coaching vehicles &c. had cost £1,084,233 whilst their working stock at the close of 1900 totalled up to no less a sum than £3,182,107 15s. 4d. made up as follows:

489 locomotives at £2,307	...	£1,128,133	14 10
13,044 coaching and merchandise vehicles at £150	...	1,955,118	19 2
Machinery, tools, and sundries		98,855	1 4
		£3,182,107	15 4

The company in 1872 had 376¼ miles open for traffic, and passengers and goods trains ran 5,183,568 miles; and in the year 1900 there were 487 miles open and the trains ran 10,731,315 miles.

A comparison of the mileage and rolling stock expenditure between 1872 and 1900 will show conclusively that, had the old working stock been efficiently maintained, the expenditure on the new working stock was not altogether

necessary, and was certainly injudiciously entered upon. The following tabulated statement will assist the reader to an easier apprehension of the startling facts elicited :—

COMPARATIVE STATEMENT as to the Cost and Working power of the Original and New Rolling Stock of the Company.

DESCRIPTION.	Cost.	No. of Engines.	No. of Coaching and Merchandize Vehicles.	Mileage Run.	Miles Open.
1872 Stock ...	£1,084,233	233	5,784	5,183,568	376½
New Stock ...	2,097,875	256	7,260	5,547,747	110½
1900 Totals...	£3,182,108	489	13,044	10,731,315	487

The nature of the mileage of 1900 differs, no doubt, from that of 1872, but, assuming that the old working stock had been efficiently maintained and renewed with engines and carriages suitable to meet the exigencies of modern travel and business extension the old working stock, with renewals, would have ran in 1900 the same mileage and accomplished the same amount of work as it did in 1872.

Should this be an approximately correct view

of matters, the results of the expenditure of the two millions on the new stock contrast most unfavourably with those of the one million spent on the old stock by the original directors, who were, nevertheless, summarily dismissed in a body by the company for inefficiency. The yearly details of the cost of the new stock will be found in the appendix.

In order that all maintenance charges should be thereafter paid out of revenue, the auditors on the 24th January, 1868, announced "the "inauguration of a new system, or rather the "return to a previously existing one of keeping "capital expenditure down as much as possible, "and endeavouring to close the capital account."

Mr. S. Laing, in his report to the shareholders under date 25th July, 1868, states :—"When I was "chairman 12 years ago I left the Brighton "company in a sound and prosperous con- "dition. When I came back to it in July last "I found it practically insolvent, having spent "£8,000,000 of additional capital without any "net return. A long practical experience in "railway matters satisfies me that the only safety "for a company situated like the Brighton is to "close the capital account. Charges which are "not for a specified new object, which is to

"bring in a new return, must be borne by "revenue."

The Company's auditors being well aware of the terms of the Regulation of Railways Act, 1868, as to the disposition of capital moneys, and the provisions for the maintenance of the rolling stock in good condition, reported on the 20th January, 1869, to the shareholders as follows :— "We have made arrangements "for a complete stocktaking of the rolling stock every two years."

In this was necessarily involved, as every business man well understands, the important subject of providing, out of the company's revenue, for the maintenance of the company's working stock, —in the words of the statute and formal certification,—in good working order and repair, and for depreciation in its value. The complete stocktaking of the rolling stock, of any well-conducted railway company, is really a matter which can be accomplished with the utmost ease and expedition. Every locomotive has its own distinctive number or name, and its history can be traced in the company's books. It should appear in the stocktaking sheets, each sheet being signed by the person directly responsible for its accuracy, the principals of departments taking care to protect

themselves by checking the work of their subordinates. The amount of depreciation should also be shewn with precision, and the estimated real value also of each locomotive as it exists on the stocktaking date, should appear. These observations apply also to the coaching and merchandise items, and to machinery, tools, and all other movable assets and effects.

The auditors are not responsible for the values which are placed on the articles, but they should see, as they easily could, with absolute certainty, that the precise numbers of each group of existing articles are duly accounted for, and they are clearly bound to enquire, and feel assured, as to adequate provision being made for maintenance and depreciation.

If evidence on these points, and of proper care having been taken in preparing the valuations, is not forthcoming, the auditors should in turn protect themselves and the shareholders who employ and pay them, by calling the attention of the shareholders to the matter, in their certificate. If no mention is made in the auditors' certificate as to the manner in which the stock has been taken and valued, the shareholders are entitled to assume that the auditors have performed their duty properly, and that the rolling stock is really

in existence, and of the value represented, after the necessary provisions had been made for depreciation, maintenance and renewals.

Now, with regard to this undertaking of the auditors of January, 1869, to have a complete stocktaking of the rolling stock of the company periodically, it turned out to be wholly impracticable for the best of all reasons, viz., that the rolling stock mentioned in the half-yearly reports was, to a considerable extent, not in existence. The best information obtainable as to 23 engines, 235 carriages and 647 waggons which had disappeared from the company's books, was furnished by the chairman, Mr. S. Laing, to the shareholders at the half-yearly meeting held in July 1870. He then stated that as regarded 17 of the old locomotives which were missing, "the history of "them is simply this, that there were 17 old "locomotives which for the last 8 or 10 years "have been thoroughly and completely worn "out; they were standing at a siding on the "company's lines and they were standing on the "company's books.

"When our new locomotive superintendent "came in, he said, very properly, it is no use "keeping this extra number of engines, which are "merely old iron, standing useless, which affects

"somewhat disadvantageously the comparison "of our working with that of other lines, "because we seem to be working a much larger "number of locomotive engines to do our traffic "than we really want. We must keep up in "good and efficient repair the number of engines "really wanted to do the traffic, and as to those "17 engines which are but old iron, we had better "sell them as old iron, and with the money buy "some new ones. The directors took that view, "they sanctioned that recommendation, and that "is the history of the 17 locomotives.

"At the same time I should say in justice to "Mr. Craven, in giving that certificate, that that "state of things had existed for 8 or 10 years, had "been perfectly well known to the auditors and "to everybody else, and therefore in giving his "certificate that the stock was in good order, no "doubt he gave it with reference to the remaining "stock, that which was the practical stock of "locomotives, and did not take into account the "17 old engines. At any rate, that is the explan-"ation of it."

In the appendix will be found set out the 30th section of The Railway Companies' Act, 1867, which provides, that if the directors and auditors differ as to expenses which should be borne

by revenue, the company may decide thereon in general meeting, "subject to all the provisions "of the law then existing, and such decision "shall for the purposes of the dividend be final "and binding." This is followed by a full account of the company's proceedings and a statement of amounts which have been charged to the company's capital account, in opposition to the opinions of the accountants and auditors, that the same were revenue charges. These amount altogether to £556,110, a sum almost equal to the whole of the dividends which were paid on the deferred stock from 1875 to 1884 inclusive, the details of which also appear in the appendix as before stated.

It is clear that the decision of a company in general meeting cannot justify or legalize an illegality; as in the various steps taken by the Brighton Company, they were bound to have regard to all the provisions of the law then existing. They acted in direct violation of the statutory directions with regard to the appropriation of charges to revenue accounts, and as their illegal acts have never been corrected they are still virtually publishing to the world that the cost of their unlucky speculations, the bad debts incurred by them, the money spent in mainten-

ance of their line, and their loss on account of worn out or missing rolling stock and other items of expenditure, were, and are, actually existent and tangible assets in the hands of the company. Had these amounts been replaced out of the premiums received on their issues of stock, or charged by the company against their revenue accounts, as they should have been in the ordinary and honest course of business, the holders of deferred stock would have received no dividend whatever prior to the year 1884, and the investing public would not have been misled as to the real value of the "A" stock.

The Brighton company have throughout disregarded many provisions of their capital acts; moneys raised under them having in many instances been applied to other purposes than those which were authorized by their acts of parliament. In the appendix, the professional accountants are shewn to have expressed an opinion in January, 1868, that certain sums representing outlay on lines which had been abandoned by the company were revenue charges. There is nothing in the company's acts subsequently passed, to justify these classes of outlay being regarded otherwise than as indisputable losses, chargeable to revenue

account. In the company's accounts to December, 1900, also set out in the appendix, sums amounting to £226,761, being the cost of abandoned lines, are still represented as assets, whereas they are clearly absolute losses, resulting from unsuccessful enterprises of the company. There is not specifically stated in the accounts of either of the seven other railway companies previously mentioned, any item bearing the slightest resemblance to this capital item in the Brighton accounts.

By the company's act passed on 30th June, 1874, the superannuation fund of the staff was authorized and directed to be invested on loan to the company, "as trustees thereof, interest "being allowed thereon at the rate of four per "centum per annum." From the date of this enactment, the fund has never appeared in the company's accounts as a loan, and the fund has never been invested.

By the company's balance sheet of December, 1900, as will be seen in the appendix, the fund appears as a liability of the company, with other sums of a similar nature, which amount in all to £759,049.

The company's act passed on 28th April, 1882, declares, in the following words, that the stock

and share capital, "authorised and created or "sanctioned by the company down to 31st "December, 1881, was—

	"£16,980,000
"*Deduct.*—Nominal reduction of share "capital on the consolidation of guaranteed "and preference stocks authorised by 37 and "38 Vict., chap. 54, sect. 15.	183,825
	"£16,796,175"

The company, however, in their printed accounts made up to December, 1882, being only eight months afterwards, stated their capital to be as under :—

"Undivided ordinary stock	3,262,040
"Preferred, ditto	1,796,480
"Deferred, ditto	1,796,480
"Consolidated Guaranteed Five per Cent. stock.....	1,955,860
"Consolidated Preference Five per Cent. stock.....	6,189,912
"Second Consolidated Preference Five per Cent. stock	1,999,900
	"17,000,672
"*Add.*—Nominal reduction of capital, on "consolidation of guaranteed and preference "stocks	183,825
	"17,184,497"

The company in all their subsequent accounts after setting out the amount of their capital, instead of stating the above £183,825 as a nominal reduction of capital, represent it as a capital addition, so that the company's practice has never been in agreement with their Acts of Parliament.

Reverting again to the subject of the proper and efficient maintenance, renewals and condition of the working stock of the company, their chief engineer or locomotive superintendent, furnishes a certificate to the following effect every half-year.

"I hereby certify that the whole of the "company's plant, engines, tenders, carriages, "waggons, machinery, tools, and steamships, "together with the engines and boilers for "same, have been maintained during the past "half year in good working order and repair."

Those accustomed to the permanent exhibition of rolling stock materials, standing for many years between Brighton and Preston Park, have serious doubts as to the value of such certificates. Indeed, if the chairman's observations at a recent half-yearly meeting can be relied upon, the certificates cannot be intended to be taken seriously. He stated that the directors had "rectified the unpunctuality of their trains and "were advancing with regard to the repairs and

"construction of rolling stock," thus admitting frankly that the repairs were in arrear.

Mr. Forbes, the general manager, afterwards resumed this interesting theme; for, his recent utterances as reported by the Press are as follows:—

"As regards the rolling stock, the company "had on order twenty new trains for suburban "lines, nearly a hundred main line lavatory "carriages, lighted by electricity, and £260,000 "worth of rolling stock, in addition to sixty new "engines which will cost about £200,000."

"The company is now expending £1,500,000 "in improvements at Victoria Station, and "altogether we shall expend £3,000,000 in "widening our line, in new rolling stock, &c. "This will of course give us greater facilities for "handling all grades of traffic. In carrying out "these improvements we are met with almost daily "criticism regarding the reckless and extravagant "expenditure in which we are indulging."

The company's two millions spent on rolling stock, as previously mentioned, is made up as under :—

Between	1873	and	1882	the cost was	£1,388,354
„	1883	„	1892	„ „	103,464
„	1893	„	1900	„ „	606,057
					£2,097,875

The expenditure, so arrested temporarily in 1883, was regarded as having been injudiciously undertaken, seeing that it was not attended with satisfactory results. The subsequent maintenance of the rolling stock was neglected, as admitted by the chairman of the company, and the values of the rolling stock and other movable assets are now unquestionably overstated. The company's officials should therefore, in such circumstances bear in mind that during the past twenty years the former three millions by which they had increased their capital account, involved an additional drain on their revenue of about £150,000 per annum, whilst the net revenue during the same period, stated quinquennially, together with the average dividends paid on the "A" stock, work out as under :—

Period.	Average net revenue.	Average dividend paid upon the "A" Stock.
1881–1885	£1,092,375	3·3
1886–1890	1,239,184	6·15
1891–1895	1,284,224	6·25
1896–1900	1,331,929	6·25

The reduction in the year 1901 of the dividend

on the A stock to 3½ per cent., the general decline during the past 40 years in the ratio of net earnings of all our railways, and the inability of the Brighton Company to cope with its present traffic, are insufficient grounds, either for exultation on the part of the officials, or to justify their contemplated waste of money, seeing that there is no prospect whatever of the outlay ever yielding an adequate addition to their divisible revenue.

The net earnings with which the Company had to pay the interest on all its indebtness and dividends in 1901 were £2,563 less than those of 1891.

On the capital being so increased by another three millions, in order to pay even such reduced dividends as were paid in 1900 the company would require a further increase in their net earnings of £150,000 per annum. Now, seeing that the company's net earnings during the past eleven years scarcely varied in amount to any appreciable extent the prospect of maintaining dividends even at the reduced rates is almost hopeless. The net earnings for these

years are now set forth with the dividends paid upon the "A" stock

Net Earnings				Dividends on "A" Stock.	
				Rate.	Amount.
For			£	Per Cent.	£
1891	...	...	1,283,555	7	173,332
1892	...	...	1,306,893	7	173,493
1893	...	...	1,252,209	5¼	146,559
1894	...	...	1,275,238	6	153,177
1895	...	...	1,303,228	6	154,209
1896	...	...	1,331,469	6¾	174,212
1897	...	...	1,350,339	7	182,190
1898	...	...	1,345,240	6¾	178,253
1899	...	...	1,347,815	6½	175,333
1900	...	...	1,284,783	4½	116,077
1901	...	...	1,280,922	3½	96,491
	Total	...	14,361,761		

or an annual average of £1,305,616 whereas £1,435,933 would be required annually to pay the interest and dividends, even at the reduced rates.

By the general Act of Parliament (1868) as set forth in the appendix under abstract "A" the company is bound to charge their revenue account with the cost of the repairs of roads, bridges, signals, works, stations, and buildings, but the company's principal asset of £24,061,103

in December 1900, includes many thousand pounds of charges of this nature, which, throughout the company's existence have been placed to capital account instead of being provided out of the company's revenue. This large item in their assets of 24 millions is therefore, in this and many other respects, fictitious. The same departure from commercial rectitude applies to the company's other assets to the extent to which they are over-stated and non-existent.

It is obvious that the prime cost of the company's working stock, machinery, tools, and steamers, which have been accumulating for fifty-five years without sufficient provision being made for their deterioration, conveys no idea as to the current values of these assets on a proper stocktaking being made.

Any person therefore, having the least elementary knowledge of mercantile affairs can see from the above observations that, from a commercial point of view, the deferred ordinary stock of the company is of exceedingly doubtful intrinsic value, and that a general collapse at any time may be looked for.

This chapter would be incomplete without some reference to the policy adopted by the

company towards its third class passengers, as contrasted with the advantages which might fairly have been anticipated as being virtually secured to them, through the guardianship and protection of the sturdy third class passenger champion of 1844. Mr. Samuel Laing rejoined the Brighton board in June 1867; and the first step taken under his guidance, as chairman, was that of securing an Act passed on the 13th July 1868, which specified the passenger fares to be taken for the Brighton express and fast trains at 2¾d. per mile for first class, and at 2¼d. per mile for second class and by ordinary trains at 1d. per mile for the third class passenger. The result to-day is that first-class London and Brighton passengers, are allowed a reduction of 3s. 2d. on every journey by express and fast trains to or from Brighton, and the second class passengers are allowed a reduction of 4s. 6¾d. on every such journey, whilst the third class passenger pays, and has paid throughout, the maximum fare of 4s. 2½d, for each journey, by every crawling train.

If a proportionate reduction of fares thus accorded to the second class passenger had been extended to the third class passengers, they would have been admitted to all fast trains at

2s. 2d. for the single journey to and from Brighton; the residential population of Brighton would have increased enormously; and the conditions of congested life in London and of its housing problems would have been immensely relieved.

Whilst the wealthier classes during the past thirty or forty years have had the benefit of cheap first class season tickets between London and Brighton no such privilege has ever been placed within the reach of the poor or third class passengers although the fares received from them have represented a large proportion of the company's revenue and have proved to be the very mainstay of the company's existence.

A first class season ticket holder between London and Brighton, travelling by express train on every working day, pays 1s. only for each journey, occupying an hour, whilst the third class passenger still pays the original fare of 4s. 2½d., for his creeping journey, dating back to the pace of seventy years ago, and he is excluded from nearly every other faster train of the day.

In the appendix will be found a comparative statement of the passenger traffic of 1871, with that of 1900, in which the figures of the first and second class traffic are grouped together, as one

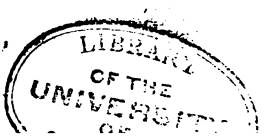
class, and the following results may be easily gleaned from its perusal.

The proportion in numbers which the first and second class passengers in 1871, bore to the total number carried, being 24 per cent., became reduced in 1900 to 10 per cent., whilst the proportion of third class in 1871, being 76 per cent., increased in 1900 to 90 per cent.

The receipts from first and second class passengers in 1871, being 58 per cent. of the whole, became reduced in 1900 to 26 per cent., whilst those of the third class, which were only 42 per cent. in 1871, increased in 1900 to 74 per cent.

The first and second class fares in 1871 averaged 23 pence per head, whereas in 1900 the average was only 19 pence per head. On the other hand, in 1871 the third class fare averaged 5 pence per head, but in 1900 it had increased to 6 pence per head.

The receipts for first and second class fares in 1900 were £463,612, being less by £39,784 than those of 1871, which amounted to £503,396. The company carried in 1900 for the reduced income, 675,769 more first and second class passengers than were carried in 1871 for the larger income of that year. With regard, however, to the third



class passenger traffic, there have been since 1871 increases of 33,716,265 in numbers, and £929,689 in receipts.

Had the company dealt with the first and second class passengers in 1900 on the same terms as were obtained from them in 1871 they would have carried only 4,658,108 passengers for the £463,612 which they received in 1900. The additional 1,075,496 passengers of the first and second class who were carried in 1900 may therefore be regarded as having been carried gratuitously or at a dead loss.

This furnishes a rough means of estimating the aggregate loss to the company in the thirty years during which the 3rd class passengers, now contributing 90 per cent. of the gross receipts, have been unfairly treated; whilst the 1st and 2nd class passengers, furnishing only the remaining 10 per cent., have been unnecessarily, favoured as above described.

By comparing Sir John Wolfe-Barry's method of calculating the loads of passenger carriages, with the Brighton traffic of 1900, the following results are elicited.

The weight of the first and second class passengers and luggage carried by the Brighton company during the year was 479,933 tons, and that

of the third class was 3,026,309 tons, and the transportation of the first and second class passengers was effected at 19·3 shillings per ton, whilst the 3rd class passengers paid 8·9 shillings per ton. If calculated on the scale fixed by the Act of 1868 the 3rd class should have been charged with only 7·7 shillings per ton.

This is only an additional proof, if any were needed, of the injustice to which nine out of every ten passengers on the Brighton line are exposed. The nine third class passengers, in these days of high pressure, enjoy the luxury of travelling fast, when they can secure it, as thoroughly as the tenth passenger, who is far more exacting, and gives much more trouble to the company's staff. The heavy saloon and other first class carriages are very costly in construction and maintenance, and they are fitted luxuriously, with every appliance at hand for the comfort of the first class passenger, who frequently requires an entire compartment reserved for himself, and can usually secure it through the agency of a tip, to the discomfort of other first class passengers by the same train. The line is cleared for the first class traffic, all other passenger and luggage trains being meanwhile placed on sidings. The speed at

which the heavy express trains are run, increases the working cost, as engines of greater power and weight are necessary for them, and the wear and tear of the working stock and permanent way are much greater; but, notwithstanding these serious drawbacks, all demands, reasonable or otherwise, of the wealthier classes are complied with by the company. This is done, not only at the company's sole cost, as the fast trains are frequently run at a loss, but to the prejudice of the third class passengers, who are,—whilst first class trains are running light,—still compelled to travel, like merchandise, at luggage train speed, and under the same discomforts, in over crowded carriages, and under similar disadvantages to those which they had to endure thirty years ago.

The Midland Railway on the other hand during the same thirty years have admitted third class passengers by every train and have become deservedly popular among such classes of society as avail themselves of the advantages thus secured to them, although probably at a temporary sacrifice of the company's revenue at the outset of so important a change.

The late Sir James Allport, who was then general manager of the line, afterwards said, "If

"there is one part of my public life on which I "look back with more satisfaction than on any- "thing else, it is with reference to the boon we "conferred on the 3rd class passengers. When "the rich man travels, or if he lies in bed all day "his capital remains undiminished, and perhaps "his income flows in all the same. But when a "poor man travels, he has not only to pay his "fare, but to sink his capital, for his time is his "capital ; and if he now consumes only five "hours, instead of ten, in making a journey, he "has saved five hours of time for useful labour, "useful to himself, to his family and to society. "And I think with even more pleasure of the "comfort in travelling we have been able to "confer upon women and children. But it took "five and twenty years to get it done."

The time is probably approaching when the tyranny and chicanery of an entirely different and objectionable railway officialdom, although at present possessing great political influence, must, on a proper representation of its defects being fully disclosed, yield to an improved and more equitable system of railway government. A practical and conscientious management of the railways would inevitably result in an enlarged protection and advancement of the national

interests ; in a more just and upright treatment of the humbler classes of society ; and it would immensely increase the prosperity of the country and of its railways, twin subjects, which are so intimately allied to each other that they must rise or fall together.

CHAPTER VII.

Revenue items in railway accounts. Permanent or voidable losses. Irregularities in capital statements. Vague balance sheets. "The Times" on ancient balance sheets. Midland Railway practices and accounts. State sanction of irregularities. Criticism of railway management. Brighton Railway balance sheets. National rights. Necessity for reform in railway management and amendment of railway accounts. Remedial measures suggested. Comparison of English and American systems of finance.

THE reader who has followed the preceding pages, will easily apprehend the more prominent points involved, and the problems which sometimes arise, in the apportionment of railway expenditure, and its appropriation to capital or to revenue accounts. It must be borne in mind that no payments made in past years, which should have been charged to revenue, although evaded or ignored at the time, and no losses actually ascertained on sound principles, can ever by

any possibility have undergone change, or become extinguished, wholly or partially, by having been charged to capital, as they have in fact no relation whatever to capital. They still are, and must remain permanently, either absolute losses, or, in effect, mere representations that visionary and immaterial substances are assets, whereas they have only a nominal existence.

No doubt whatever can exist as to the facts that, all losses sustained by a company, all the cost of unsuccessful speculations, all discounts paid on raising capital, overstatements in current values of assets, and all liabilities undertaken in excess of values received, represent only nominal assets or effects, which are altogether valueless; and therefore they should either be eliminated from, or fully exposed to light, in the capital accounts of every public company.

Every item of capital expenditure which has not produced a corresponding equivalent in tangible assets, is a loss, to the extent of the deficiency; and no reduction in, or recovery of, the amount so lost can be effected by passing resolutions, or by any other irregular process; as the absolute and

ascertained fact of the loss having been sustained, still remains notwithstanding the declarations of the company to the contrary; and the loss, so existing, can only be made good in cash, contributed as before stated, or derived from the profits of the company's legitimate operations.

It is unreasonable to affirm that unproductive capital moneys, disbursed under parliamentary sanction by railway companies, should, because so disbursed, be regarded, in perpetuity, as having yielded property of the value of the moneys spent; or, that railway companies should, in conducting their business, either be exempted from the observance of commercial rectitude, with regard to their expenditure of capital, or other moneys; or from the liabilities which are imposed upon other companies to conform to legal and orthodox rule, in all their transactions; on the other hand they should be compelled to render such sound and businesslike accounts, as are universally published, by all concerns carried on for profit.

As far as our illustrious State officials are concerned, many of the subjects of their guardianship and solicitude, would be startled

on learning, that the first item of every railway balance sheet, which has yet been published to the world under State authority, during the past seventy years, is the deliberate expression of an unmitigated falsehood. The statutory words in which this item is framed—as will be seen in the appendix—are "To capital account—balance to credit thereof." In arriving at each of these balances, every conceivable irregularity, of the nature before described, as having no relation whatever to capital, as such, has been introduced, and has thereby received, not only the sanction, but, the approval of the State. Besides other omissions, the whole of the nominal additions and changes in capital accounts, by conversions and reorganizations, have been entirely ignored, and omitted from these capital balances. To make matters worse, the account is styled a "general" balance sheet. Why the word "general" was imported into the heading is mysterious enough, unless the adjective is to be taken as meaning, in its generic sense, vague and not specific; an enigmatical definition, which, for the reason hereafter appearing, it may probably have been intended to convey, at the time when the form of account was determined

upon. In point of fact, the account is not a balance sheet at all, nor is it even a very defective shadow or skeleton of one. It is, as before explained, only the declaration of an untruth, in every instance; coupled with a list of a few of the most insignificant balances, which appear in a company's set of subsidiary books of account.

Taking the Midland accounts as an illustration, it will be seen, that its balance sheet, as published to the world, and set out in the appendix represents only £5,266,040, in amount whereas, if issued in a sufficiently explicit, and comprehensive form, such as is universally adopted in all commercial and industrial undertakings, the items on each side would have amounted to £183,982,585, and should, according to the House of Lords' decision, have been so clearly expressed, with sufficient detail, and without concealment, as to have conveyed, to an intelligent mind, the true state of the company's affairs; or, as the railway world invariably expresses it to be, a full and true statement of the financial condition of the company.

The Times in 1848, having probably in view similar forms of fossilated balance sheets, to those

which are still issued by railways, wrote as follows :—

"The balance sheet of a railway company has "no more effect than a sheet of waste paper; "and, as it would be perfectly easy to give "accounts that would make everything clear; "and these accounts are not given, it is naturally "inferred that the market would not be benefited "by the prospect they would indicate; and "hence, that, although the end cannot be known, "there is a certainty, at all events, that it has not "yet been reached. If there is a single company "that is considered by its directors to have fallen "too low in the market, they can set the matter "right. There are plenty of shrewd people at "this moment, notwithstanding the hardness of "the times, waiting with money in their "pockets to find investments. Give them a "statement such as they would require, and "such as any City accountant, with the "materials at his command, would prepare, "in a form that the simplest tradesman "might understand it, and forthwith they "will bid within a fraction of the true value "of the shares."

The Midland Company's balance sheet, for

1900, should have been framed, either on similar lines to those which were suggested as long ago as 1848, as above described, or somewhat in the following form, so that it would clearly appear upon its surface that the capital accounts and liabilities of the company amounted to 183·98 millions, whilst its assets, if properly treated, and stated at their real value, would not greatly exceed 100 millions. The company's recent unjustifiable charge to capital, of stamp duties, penalties and costs, which are purely revenue items, amounting to something like £120,000 as before stated, would thus have been exposed to public view, as the outcome of their own folly. The company should have provided for these losses out of their profits, instead of representing to the world that the £120,000 which became payable, forms part of the cost of construction of their lines. This really is no exaggerated picture of the flagrant and reckless manner in which railways systematically disregard all mercantile rule, and untruly represent, as they do every half year, that all expenses which are chargeable to revenue have been so charged, and provided for, out of their profits.

Dr. No. 13. THE MIDLAND RAILWAY CO.—BALANCE SHEET, 30TH DECEMBER, 1900. Cr.

To	£	£	By	£	£
CREDITORS, DEBENTURE STOCK ACCOUNT—			LINES OPEN and in course of construction		76,862,724
Holders of 2½ per cent. Debenture Stock and £1,000 Loan ...		36,004,757	„ SUBSCRIPTIONS to other Railways and Canal purchase		11,138,395
Balance authorised, £1,800,000			„ WORKING STOCK		16,185,899
„ GUARANTEED AND PREFERENCE STOCKS ACCOUNT—			2,615 Locomotives, 5,244 Coaching Vehicles, and 118,626 Merchandise Vehicles		
Holders of 2½ per cent. Perpetual Guaranteed Stock	16,752,917		Total as per Account No. 4...		104,187,018
Holders of Preference Stock ...	46,926,594		„ INVESTMENTS in other Railways		154,596
Holders of Preferred Converted Ordinary Stock	37,022,451		„ GENERAL STORES—		
		100,701,962	Stock in hand		1,702,299
„ CAPITAL.—Deferred Converted Ordinary Stock		37,258,385	„ DEBTORS—		
Balance authorised, £1,800,000			On Traffic Accounts	1,068,259	
„ MORTGAGE REDEMPTION ACCOUNT		30,000	On Companies' Accounts ...	176,771	
„ PREMIUMS ACCOUNT		4,721,715	On Clearing House Account ...	378	
„ CREDITORS—			On Post Office Account	17,177	
Superannuation Fund	781,262		On other Accounts	329,807	
Fire Insurance Fund	198,708				1,592,392
		979,970	„ CASH—At Bankers	476,806	
Unpaid Dividends and Interest...	38,771		On Deposit	702,250	
Guaranteed Dividends	428,024				1,179,056
Debenture Stock Account ...	33,894		Total Assets		108,815,361
Other Companies...	121,570		„ NOMINAL ASSETS—		
Sundries	1,851,375		Conversion Accounts	73,788,221	
		2,473,634	Discounts	1,379,276	
„ NET REVENUE—					75,167,497
Balance at Credit		1,812,435			
		£183,982,858			£183,982,858

For Comparison with the Appendix, page 270.

Instead of the directors of the Midland Company furnishing an account, in an intelligible form, the members are thus left to work out for themselves, their own balance sheet. An achievement of this nature, could only be undertaken by a very competent expert in accounts, after a careful study of the formidable details, which extend over the numerous pages appearing in the appendix; and these are identical with the statements which the directors presented to the shareholders, and published to the world. They have been introduced, as a statistical curiosity of the twentieth century, and, as concerns the published balance sheet, as an altogether unique and marvellous example of the high-class literary ability of our State officials, and, as an outflow of their united wisdom, acquired through profound researches and experiences, extending over three-quarters of a century.

The authorities at Whitehall are no doubt self-satisfied with this display of their skill, under a conviction that their railway supervision represents a very insignificant section of their numerous successes in other directions, during past ages; but, it certainly will not command the admiration of those who happen to be experts in accounts, or form their own opinions upon such subjects.

The prolongation of the existing methods in which railway companies are permitted to conduct their business, by dividing principal moneys as profits and exercising no restraint as to their enormous expansions of capital expenditure, whether productive of increased revenue or not; can only eventuate in a diminution, or entire cessation, of dividends on their ordinary stocks; and this matter is of serious moment to the shareholders, who presumably carry on their business for profit. They should however remember that their railways still exist as national institutions, and that the public interests are not sufficiently protected by their methods of conducting business, or by their neglect of the parliamentary provisions which were designed for their mutual benefit. The railway influence in Parliament already preponderates enormously, and may almost be regarded as supreme. Any attempt, on the part of outsiders, to expose irregularities or abuses in railway management, to criticise the values of their property, or disturb existing interests, for the benefit of the people, is never welcomed by shareholders, or Members of either House. But, notwithstanding these discouragements, the matters are of great national importance, and should, in the public in-

terest, be fully exposed to view, under the clearest possible light, so as to strengthen the armament of any champion of the people who may happen to turn up at any stage in the national history.

The objectionable complications in railway accounts, incident to the stock duplication craze, fortunately have not to be encountered in the balance sheets of those railways whose capital accounts have undergone no disturbance, otherwise than by the more rational, although more dangerous, course of splitting. This will be seen by the perusal of an amplified balance sheet of the Brighton Company, which is now set forth, for comparison with their published balance sheet appearing on page 256 of the appendix. In the following balance sheet, so amplified, no attempt is made, either to deal with the equivocal additions to, or reductions in, the company's capital, or, with those assets of the company which are unquestionably nominal only, as the result of their irregularities in the past, and their present overstatement of assets. These matters in question, which still exist, on the lowest computation cannot represent less than £1,500,000, being actually ascertained losses, which the company has sustained; a fact which is ignored altogether in the calculations of the market.

To	£	£		£	£
Creditors, Debenture Stock Account—			By Lines open for Traffic at Cost during 55 years		24,061,103
Holders of Debenture Stock ...		6,156,509	„ Working Stock—		
Balance authorized £952,666			489 Locomotives averaging £2,307 each ...	1,128,134	
„ Guaranteed and Preference Stock Account—			13,044 Coaching and Merchandise Vehicles, averaging £150 each ...	1,955,119	
Holders of Consolidated Guaranteed 5 per cent. Stock ...	1,955,860		Machinery, Tools, and Sundries at Cost during 55 years ...	98,855	
Holders of Consolidated Preference 5 per cent. Stock ...	6,190,315				3,182,108
Do. 2nd do. do. ...	2,282,000		„ Steamers and Dredgers at prime Cost ditto ...		299,228
Do. Preferred Ordinary Stock ...	2,731,230		„ Nominal Assets—		
		13,159,405	Lines abandoned ...		226,762
„ Capital, Ordinary Stock Account—			Total as per Account No. 4 ...		27,769,201
Undivided Ordinary Stock ...	3,235,013		„ General Stores—		
Do. created 3rd January, 1900	312,702		Stock on Hand ...		290,094
Deferred Ordinary Stock ...	2,731,230		„ Debtors—		
		6,278,946	On Traffic Account ...	163,879	
Balance authorized, £1,200,000			On Companies' Accounts ...	16,586	
„ Premiums Account ...		1,101,189	On other Accounts ...	51,789	
Total as per Account No. 4 ...		26,696,049			232,254
„ Creditors—			„ Cash—At Bankers ...	44,484	
Benevolent Fund ...	425,835		On Deposit ...	285,931	
Savings Bank Fund ...	208,535				330,415
Fire Insurance Fund ...	26,972				
Do. Steamboats ...	97,707				
		759,049			
Unpaid Dividends and Interest ...	36,163				
Guaranteed Dividends ...	128,494				
Other Companies ...	122,227				
Sundries ...	277,357				
		564,291			
„ Net Revenue—Balance to Credit		630,575			
		£28,621,964			£28,621,964

For Comparison with the Appendix, page 256.

Professor Hadley, the eminent railway critic, in his work on railroad transportation, when dealing with the subject of railway accounts and speculation in 1886, states that, "to the com-
"munity the present crisis is a lesson on the
"folly of reckless investment. Over-production,
"of which we hear so much, is a small matter
"compared with this. Mere over-production can
"be remedied in a few months. Over-invest-
"ment means lasting over-production till the
"investment is worn out, or till the business of
"the country slowly grows up to a higher point.
"Our present crisis is directly connected with
"ill-judged over-investment. The folly of
"investors provoked it; the inclination of
"managers favoured it; the knavery of rings
"was able to make a profit of it.

"Under the stress of this experience a great
"many favour limitation of railway construction.
"Whether this can ever be effectively carried
"out is more than questionable. That it would
"be desirable in many cases, there can be no
"doubt. But it is not easy to introduce a
"principle so foreign to the general tendency of
"our laws; and it may be questioned whether
"any advantages gained at one point would not
"be dearly purchased at another. The whole

" matter will have to be settled on practical " grounds and it is not easy to predict which " way the balance will incline. Of this there " can be no doubt; that it is desirable to " limit the facilities for constructing rail- " roads with other people's money. Yet even " here the practical enforcement of any law " is more difficult than would at first sight " appear."

" To individuals, whatever else the present " crisis may teach, it teaches: 1. That the evils " of speculation are not avoided, by avoiding " its first and most obvious forms. 2. That " when large quantities of capital are seeking " investment, it may be as unsafe to try to " avoid a reduction of rates of interest as it is " at other times to take risks to secure an " advance. 3. That investors are under obligations " to themselves and to the community to make " sure that their property is not managed for " other interests than their own. The interests " of the investor are the permanent interests of " the property; those of the directors are often " temporary, and sometimes purely personal " ones. The two may readily conflict. If the " permanent interests are sacrificed, it must " result in ruin to the investors, and may result

"in commercial distress for the whole com-
"munity."

"It is in this connection that the study of "railroad accounts assumes its public importance. "The fact that so few among the many owners "of a railroad have any direct share in the "management, makes it all the more important, "that its published accounts should present a "true view of its financial condition. They are "too often arranged to conceal the truth instead "of presenting it."

Land transport is a commodity of absolute necessity, and in universal demand, and its monopoly has throughout been entrusted by the legislature to the railways; parliamentary powers being granted to them on the distinct understanding that material benefit should accrue to the nation from these concessions. As we have seen, the national right to purchase the lines, still exists; besides which a participation in the companies' profits is also intended to be secured to the people by the Act of 1844; so that the companies obligations to the public service, conflict with their disinclination to reduce the rates of transport when their net revenue exceeds the stipulated limit. Whether the State authorities look after these national interests or not, the

public undoubtedly have a right to information on the various matters. They are also entitled to the supply of clear and proper accounts from the railways, and the right to overhaul these accounts, in order to ascertain what the net earnings of the various companies really amount to, and whether the dividends are paid out of capital or revenue.

As previously stated a large proportion of the railway ordinary share capital in 1900 yielded no dividend whatever; and, if the net revenue of the companies, is at any future period, considerably less than the rate at which the nation can borrow money, the exercise by the nation of its option to purchase the railways will demand serious consideration; so that, if any benefit would accrue from any such operation, it might be secured, in the national interest.

It is by no means clear at present, whether the rates on state-owned railroads, or private railroads, are more favourable to the public; but, it is highly desirable, on public grounds, that the most reliable information, on all these important matters, should be in the possession of the nation, for future guidance.

The serious disclosures before mentioned, as to the methods in which the Midland, the Brighton, and other railway companies keep their accounts,

abundantly prove the necessity for reformation in their systems of conducting business, and furnishing accounts; not only because the railways are national institutions in which all are interested, but for the purpose of protecting the interests of the shareholders who are principally to blame in these matters.

The remedial measures necessary to effect these desirable objects lie within a narrow compass, and are based upon one fundamental principle, upon which no dissentient affirmation has yet been published. Perfect unanimity exists on the point that improper secrecy is maintained in railway accounts; that no concealment whatever should exist; and that every railway should be compelled to publish, half yearly, a balance sheet prepared on strictly commercial lines; which, in the language of "The Times" of 1848, would not be regarded as waste paper, but would be prepared in such form as the simplest tradesman could understand, and such as would enable him to form his own opinion as to the true value of the company's stock.

Every one, outside the sphere of the Board of Trade, would regard these requirements as reasonable, and such as may properly be insisted upon,

in the interests of the general public, and all concerned in railroads.

The method of compliance with this demand is easy of accomplishment, following the Buckley capital-loss illustration before referred to. Against the company's capital and liabilities, in the balance sheet the fixed assets existing, at cost with incidentals, would appear; then the movable assets at their current values, and the extinguished or nominal assets. The result of the current expenditure and earnings would appear, either as loss or net divisible revenue, according to circumstances.

The balance sheet would (1) treat the share capital as a debt owing by the Company, and (2) fully specify the debenture debts and liabilities. (3) premiums on new issues, (4) the cost of and incident to the construction of the lines, (5) the movable assets at current values, (6, 7) the nominal assets and liabilities, (8) capital expenditure not represented by assets and (9) the balance either of net divisible revenue or loss on working.

The present stock-taking valuations of railways are chiefly limited to the quantities of cotton waste, tallow, oils, fuel, and construction and working materials which are in hand; but

every other industrial, manufacturing and commercial concern, declares the estimated current values of all its assets and working stocks. Railway officials, in similar manner, should prepare complete specifications of their working stocks, steamers etc., and also verify the existence, and the estimated value, of each specified item, at every stock-taking period of the year; and the auditors should critically and minutely examine every item in these specifications, and certify that they have satisfied themselves as to the accuracy of the details in every respect. Although not responsible for the values placed on all the various items in stock-taking, they should, not only be prepared to justify their certificate, but, be able to prove at any time thereafter, that they had exercised reasonable care and discretion in passing the values stated in the stock-taking sheets.

The real cash capital of the Midland Company, and that of the Brighton Company, stand in the proportions of four to one, and the length of lines owned and worked by the same companies represent similar proportions. The published revenue accounts (No. 9) of these companies shew, that in twenty years the law costs of the Midland amounted to £253,700, or £126 per mile,

whereas those of the Brighton were £157,301, or £323 per mile. The parliamentary charges of the Midland amounted to £87,799, or £43 per mile, and the Brighton accounts shew £54,107, or £111 per mile. All these revenue payments amount to £552,907, and in the half-yearly accounts of this expenditure, the disbursements of the corresponding half of the previous year are shewn, for comparison with each other.

In the capital expenditure accounts of these two companies, for the same period of twenty years, no less a sum than £634,487 is included, as having also been paid for law and parliamentary charges, but no references or facilities are furnished for comparison with the capital expenditure, for these purposes, which appear in the accounts of the corresponding previous half-years.

The proportion of the Midland Company of this capital expenditure of £634,487 for law and parliamentary charges is £497,736, or £248 per mile, and that of the Brighton is £133,751, or £274 per mile. In every instance, it will be seen that the comparison of these figures, works out to the disparagement of the management of the Brighton Company, regard being paid to the

relative capital and working mileage of the two companies.

Deducting the costs incurred as to the acquisition of lands purchased by the railways, and the strict parliamentary costs which are properly chargeable to capital account, the remaining portion of the £634,487 so charged to capital, after the manner of the Midland £120,000 which will probably be imitated by other companies,—should have been borne by revenue.

On an analysis being undertaken of the lavish capital expenditure of all the railways under the above and other headings, against which no assets now exist, a marvellous revelation as to the real capital value of railway ordinary stocks would be exposed. In the event of the details being clearly expressed in subsequent half-yearly accounts—in intelligible language and without concealment—a wholesome effect on the railway market would result, as it would tend to check rank speculation in deferred stocks, and prove advantageous to the investors in other stocks. It would also render unnecessary the hourly comparisions of the gallons of rainfall and moments of sunshine, on the corresponding week days, and during the bank holiday and race meeting seasons of previous years, thus affording relief

from such arduous toil in these respects, as the market and financial press would probably appreciate.

The systematic gambler in deferred stocks is probably the only person who attaches any serious importance to periodical announcements of comparative railway traffics, as indicative of the intrinsic values of ordinary stocks. The spasmodic utterances and erratic operations of dealers, are at times based only upon the traffic of a single week, and their problematical estimates of improvements or shrinkage in accruing dividends on ordinary stocks, founded on current half yearly workings, are sometimes illusive; but still, they frequently influence market prices.

The level-headed holder of ordinary stock however disregards the feverish excitements of the passing hour and forms his own judgment and estimates of values upon his knowledge as to the past management of those railways in which he is concerned.

An article furnishing instructive and most interesting lessons and information on railway matters, recently appeared in "The Times," from the pen of one who is stated to be a railway official, and a competent critic, widely known in the railway world. The writer unhesitatingly

declares, that the process of relieving the revenue accounts of English railways, at the expense of capital, has existed for many years; and that it has now become a chronic necessity, and in fact a disease, although originating only as a temporary expedient, with a view to the companies paying larger dividends than were really earned. The illustrations and evidence adduced by him, furnish abundant proof that the English railways could not possibly have declared the dividends which were paid in recent years, if they had dealt properly with their revenue accounts, and charged them with such outlay on their bridges, stations, and other buildings, and on their permanent way and rolling stock, as was essential, in order to maintain and keep them up to that high standard of efficiency which is necessary for safe and economical working. In other words the bulk of our railway accounts are declared to have been for many years improperly prepared and published, and it may be assumed that these serious irregularities must have occurred throughout, to the knowledge of those having charge of the accounts. Investors therefore have been systematically victimized, and they have suffered loss, through placing their moneys in ordinary stocks in reliance upon the accuracy of accounts,

which are now clearly proved to have been fictitious and misleading. There is no other possible aspect in which the actual state of facts can be regarded by practical men of business, or such of them as happen to be experts in accounts.

The writer states that the cost and equipment of the Delaware, Lackawanna, and Western Railroad Company, amounted to £23,514,487, and that during the year 1901 the company spent £660,851 on the construction of new works and improvements and for the maintenance of their permanent way and structures, and that the whole of this expense was charged to the revenue account of the company for the year. The details of this huge expenditure are set forth as under :—

For new steel bridges erected	£201,451
Other new bridges	51,969
Interlocking and signalling apparatus	24,341
Sundry sidings yards and track	65,867
New depots, freight houses, &c.	22,150
Water and fuel stations	19,048
New turntables, round-houses, pits, engine houses, &c.	16,934
Improvements in buildings, new buildings, yards and sidings	45,481
Maintenance of permanent way and structures ...	213,610
	£660,851

There was also a large expenditure during 1901 for the provision of heavy rolling stock, including 79 new engines, the total cost of which equipments was also paid out of revenue.

It is almost needless to state, that no similar record of expenditure out of revenue has ever yet existed throughout the history of the whole of our English railway companies; and the details contrast strangely with the treatment of capital and revenue items by the Midland and Brighton companies, as set forth in these pages.

In comparing the policy pursued by the Lackawanna company with the English methods of management the article concludes in the following words which are thoroughly sound and worthy of being recorded for careful consideration not only by such persons as have knowledge of, or are connected with, railway management or accounts; but by those among us who take an acute or consuming interest in our national institutions and affairs and the dangers which surround the nation at the present time.

"The Times" quotations affirm that the writer's "extract from President Truesdale's "report throw a strong sidelight on the

"policy of the Lackawanna Company and "incidentally upon American railway manage- "ment, and indicate such a reversal of British "procedure as almost to make many of the "utterances appear in the nature of heresies to "the British railway magnate. All unconciously "Mr. Truesdale makes a strong impeachment of "British management. How many British lines, "for example, could follow such a course as the "Lackawanna Company and continue to pay "anything like the dividends they have been "declaring for years, or how many could pay "any dividend upon their present capital? "The situation is all the more serious from the "fact that it has crystallized into a recognized "practice of British boards of directors to place "everything that can be characterized as "extraordinary expenditure into the capital "account, as well as a great deal that cannot, "even under the most liberal interpretation, be "so classified. This has been in vogue for 30, "nearly 40 years—ever since the prevailing "forms of railway accounts were prescribed, "which gave an apparent invitation and colour- "able sanction to the prevailing procedure. "Financial demoralization has been and is "rampant, as will be apparent to any one who

"takes the trouble to make a direct analysis "of the accounts of any railway company, or "who makes a comparative analysis of a group "of companies, for a brief period of years. It "will be found that each undertaking follows an "opportunist rather than a well-defined straight-"forward rule in respect of revenue and capital "charges, that the increase of capital has "frequently not even the apparent excuse of "increase of revenue, that the former is quite "disproportionate to the latter, and that, in fact, "increase of capital and increase of revenue "have a very remote connexion.

"It is not too much to say that the policy "pursued is a profligate one, and it is manifest "that while such a policy prevails there can be "no such economies brought about as Mr. Trues-"dale refers to, the incentive to such economies "being wholly wanting; and the end must be "that the railways of the United Kingdom will "go further and further behind the times in "economical equipment and up-to-date trans-"portation methods, in addition to being "handicapped with a rapidly accumulating "capital debt, to gain any return upon which, it "will be necessary to charge unreasonable rates "and fares, instead of continually reducing

" charges as in the United States. And therein " lies the menace to the industrial vitality of the " nation and its ability to maintain its pre- " eminence in the world's markets. There is " danger ahead for the railways, but a graver " and immediate danger confronts the country at " large."

Attention is also directed by "The Times" to the allegation of their correspondent, that the North Eastern Railway being one of the most prosperous and best managed English railways, had recently paid a six per cent. dividend on their ordinary stock which would have been absolutely wiped out, if the principles, universally observed in the management of every American railway, had been followed by the railway in question. No champion of English railways appeared in the lists evincing sufficient ability to defend or justify the course adopted by the North Eastern Company, or to exonerate them from the charge of alleged impropriety which had been imputed to them, although several harmless feints and thrusts at the solid armour of "The Times" correspondent were attempted. Far more unanswerable matter appeared in the press, condemnatory of the financial and general management of English railways

and in approbation of American methods. The holders of English railway ordinary stocks should therefore now give heed to these matters, seeing they have allowed so many years to pass, in ignorance of the unsoundness of the financial policy adopted by them, and of the false position in which they have thereby become involved. They should bear in mind, that they are still continuing to drift listlessly towards the fatal point at which their dividends may vanish, and their stock become worthless. All ordinary stockholders should attentively study "The Times" leader on this unpleasant subject, and it is therefore set forth here for their consideration.

"An article which we print this morning from "the pen of a writer who, having begun his rail- "way career in this country, has attained an im- "portant position on the wider stage of the United "States raises a very serious question in railway "economics. Broadly, he throws doubt on the "solvency—we might almost say he proclaims the "insolvency—of English railways as a whole; and "the English public have invested in English "railways a capital about twice the whole Na- "tional Debt. Our Correspondent's figures and "statements deserve at least to be studied in full, "not only by railway managers and directors, but

" by railway shareholders, and we shall not " attempt to abstract them. He has taken the " accounts of an old-established, prosperous con- " servatively managed American railroad, with a " large and valuable coal traffic, the Delaware " Lackawanna, and Western, and comparing them " with a very similar English railway, the North- " Eastern, he declares as a result of the com- " parison, that, if the North-Eastern had charged " to revenue all the expenditure that the Lack- " awanna—' a railway managed on ordinary " business principles '—did so charge, the North- " Eastern 6 per cent. dividend for the period under " review would have been absolutely wiped out. " Now the North-Eastern is, as every one knows, " no ' wild cat ' line. It has seventy years of even " prosperity and honest management behind it. " And yet our experienced Correspondent " deliberately asserts that on the North-Eastern " financial demoralization has been and is ram- " pant, and that the policy pursued is a profligate " one.

" On the assumption—an assumption as to " which we shall have a word to say presently— " that English railways ought to be managed on " what our Correspondent describes as ' ordinary " business principles, ' he certainly supports his

"startling assertion with strong arguments. He "affirms that in the period which he reviews the "North-Eastern paid its dividend only by charg- "ing to capital £380,000 for improvements to "already existing lines, and that the Lackawanna "paid its dividend only after it had debited to "net revenue £430,000 for extraordinary better- "ments of its property. That the Lackawanna "typifies ordinary American railway practice is "undeniable, as has been pointed out in 'The "Times' more than once. It can hardly be "doubted that it typifies ordinary English busi- "ness practice also. The management of an "ordinary business assumes that it is not sufficient "to maintain the buildings and plant in condition "out of revenue. Sooner or later, plant, even if "maintained in first-rate condition, must become "useless, either because it is superseded by newer "inventions, or because it is by change in "demand, made wholly superfluous. There "must, therefore, be in some shape or form a sub- "stantial reserve, or the company is likely some "day to get into the Bankruptcy Court. Our "English railway companies have, our Corre- "spondent asserts, broadly speaking, no reserve; "they maintain their property, but do not sup- "plement or improve it, out of revenue. Now

"a policy of this kind, though, if continued "indefinitely, it must ultimately lead at least to "the extinction of dividends on the ordinary "stock, may of course be perfectly honest. A "mine is usually worked for all it is worth during "its life, which may be only fifteen or twenty "years, and the shareholders are left to form their "own sinking funds or not as they think fit. The "English canal companies were financed in the "same way. They divided seventy years ago the "fattest of fat dividends, and, when the railway "era came, they had no reserves with which to "improve their machinery to face the new com-"petition. The public refused to find them new "capital for the purpose, and the old capital was "simply, in many cases, wiped out. A policy of "this kind, if adopted deliberately, and with the "knowledge and concurrance of the shareholders "may be good or bad; but if it is adopted by an "English railway, the ordinary shareholder in "all probability, is quite unconscious of the fact. "Shareholders in tramway companies, which "on the face of their concessions had only "a twenty-one years' lease, were unpleasantly "surprised, not many years back, when their "leases and their dividends suddenly came to an "end, with but scant repayment of the capital

"they had invested; and it is certain that the "ordinary shareholder in the North-Eastern or "the North-Western would be startled at being "told that the stock which he had bought on a $3\frac{1}{2}$ "per cent. basis was only a terminable annuity an "annuity, moreover, which has recently shown "some signs, if not of terminating, at least of "being permanently reduced with considerable "abruptness. There is another point to be "noticed. The end of the life of a mine affects "only the staff and the shareholders; for a min- "ing company cannot raise the price of its gold "because the mine is getting worked out and the "production of ore, consequently, becoming more "costly. But a railway management, confronted "with a body of shareholders angrily demanding "back their old dividends, could hardly be ex- "pected to refrain from increasing rates and cur- "tailing facilites; and, if English trade is to hold "its own in the world's markets, English traders "must have not only a maintenance of the 'status "quo,' but lower rates and better facilities. We "think, therefore that our Correspondent's "article raises a subject of deep importance to "the welfare of the country, and we commend "it to the most serious consideration of the "public."

The "Daily Mail" too, in calling attention to the doubt thus cast on the solvency of English railways, and also to the general impeachment of their management, published certain opinions and views recently expressed by Mr. W. M. Acworth, one of the most distinguished authorities on English railways. Mr. Acworth states that "an American railway—one as honestly "and soberly managed as an ordinary English "railway—when it has ascertained precisely "where the line between capital expenditure "and revenue should be drawn, then deliberately "takes from revenue a large sum—on the Penn-"sylvania it has been well over a million "sterling on the average for a number of years— "and devotes it, not to dividend, but to ex-"penditure for capital purposes." Mr. Acworth continues, "so far as I know, no English "company charges to revenue account, additions "to its existing rolling stock."

"In America conservative railway companies "charge the whole of equipment to revenue. "Of course," added Mr. Acworth, "I would not "say that, at a time of a sudden rush of traffic, "an American company ordering 100 engines "in a batch would necessarily charge them all "straight off to revenue, but they would probably

" pay for them out of revenue within a very few " years."

At the time when the directors of the Pennsylvania railroad commenced applying to capital improvements, the considerable portions of their net revenue referred to by Mr. Acworth, they had to encounter a very strenuous and organized agitation on the part of their shareholders, for increased dividends being paid to them. Mr. Acworth, however, cited an instance in which an English board of directors, under similar circumstances, adopted quite a contrary policy; for he states "I was once told by a director of one of " our great companies that his board considered " themselves bound by a pledge made to the " shareholders many years ago that they should " have as dividend everything that was honestly " earned as profit." Mr. Acworth declined to express an opinion as to the rival merits of the American and English systems of railway finance with regard to the building up of reserve. "But" said he, "I will give an illustration of " how things are done in America. The Penn- " sylvania for years only paid 5 per cent., " although it had been earning 6 or 7 even in " the worst times, and last year probably 16 per " cent. They hesitated long before they in-

"creased their 5 per cent. dividend. A year or "two ago they gave a bonus of 1 per cent., and "it was only after they had done that for two "years, and their position became absurdly "strong, that they practically made their divi- "dend permanent at the rate of 6 per cent. All "this time their surplus earnings over the 5 or 6 "per cent. have been 'put back into the business' "as the phrase goes, and there is now a reserve "of a million sterling.

"It is just as if two partners in a commercial "firm agreed not to draw, say, more than £1,000 "a year out of the surplus profits—which pro- "bably reach several thousands in good years— "leaving the balance in the business. They only "increase their drawings when they feel certain "that they have built up a reserve capital strong "enough to meet any possible bad times. That "to my mind is sound business.

"It is obvious." continued Mr. Acworth, "that the English railways have not 'put "by for a rainy day' to any serious extent. "The last balance sheet of the Penn- "sylvania showed a credit to profit and loss "of nearly £5,000,000, the addition in 1901 alone "having been £360,000. But no English com- "pany shows anything of the nature of undivided

" profits, and the balances carried forward from " one half-year to another are, I believe, never " more than £100,000."

Mr. Acworth in conclusion said that " a state- " ment published within the last few days by the " Southern Pacific—a company with 10,000 miles " of line, which has never yet paid a dividend— " shows that last year their net revenue would " have been sufficient to pay 9 per cent., and " the year before 7 per cent."

According to the General Report of the Board of Trade, issued on the 8th Aug. 1901, the length of British railways open for traffic at the end of 1900 was 21,855 miles ; and, by the report of the Inter-State Commerce Commission, presented to the United States Senate and House of Representatives on the 17th January last, it appears that, on the 30th June, 1900, the total single-track mileage in the United States was 193,345 miles, an increase during the year of 4,051 miles being shewn. This is stated to be a greater increase than that for any year since 1893. The aggregate length of railway mileage for which operations were reported, including tracks of all kinds, was 258,784 miles.

The capital moneys actually invested in British railways on 31 December 1900, amounted to

989·2 millions, made up of 366·2 millions ordinary stock, 356·7 millions guaranteed and preference stock, and 266·3 millions loan and debenture stock. No dividends were paid on 95·52 millions of the ordinary, guaranteed, and preference stocks, which amount represented 13·21 per cent. of the whole of these stocks; nor was any dividend paid upon ·43 million of the loan and debenture stocks, which was ·16 per cent. of their amount.

By the report of the Inter-state Commerce Commission—calculating for comparison the dollar at 4s.—the capital of the United States railways, outstanding on the 30th June, 1900, was 2,298·20 million pounds sterling, of which amount there was, on the same date, something like 1,067 millions dealt in on the London Stock Exchange.

The United States railway capital of 2,298·20 millions, is partially made up of 904·45 millions capital stock, and 264·65 millions preferred stock, these two sums making together 1,169·11 millions, of which 635·32 millions received no dividend, and this sum represented 54·34 per cent. of the entire amount of these two classes of stock.

The remainder of the capital stock of 2,298·20 millions, consisted of 980·12 millions of mortgage bonds; 92.99 millions of miscellaneous obliga-

tions; 43·90 millions of income bonds; and 12·06 millions of equipment trust obligations; the whole of which four latter stocks make together 1,129·09 millions, and of these the holders of 75·78 millions received no dividend.

From a perusal of these figures, it will be seen that the Lackawanna is clearly in a far more prosperous condition than many of the other United States railways; and it may have been somewhat unfair to contrast its methods of finance with those of even the best conducted line in the United Kingdom. The question, however, of the proper maintenance and renewals of the fixed and movable assets of English railways, having been prominently brought forward in the press, it is hoped that this important matter may now receive the attention which it instantly demands, in the national interest.

The Lackawanna Railway, in working 948 miles, according to one of the writers, paid out of revenue, in one year, for the maintenance of their permanent way, &c., £862,303, being at the rate of £909 per worked mile for the year.

The eight English railways mentioned on page 89 of this work according to the Board of Trade returns for 1900, made corresponding payments out of revenue for the year, amounting to

£3,226,917, in respect of the working of their 13,486 miles; which sum represented only £246 for the year, or 13s. 6d. daily, for each worked mile. This was obviously an inadequate provision for the maintenance of the permanent way of these railways, with their numerous stations, workshops, buildings, bridges, tunnels, cuttings, and viaducts.

The same writer stated that the rolling stock of the Lackawanna, having cost £1,622,840, had a total sum of £794,021 spent, out of revenue, on its years maintenance and renewals, being at the rate of 49 per cent. on its prime cost.

The rolling stock of the eight English companies stood in their books for 1900 at 71·69 millions; and the maintenance and renewal charges for 1900 provided out of revenue according to the Board of Trade Returns, amounted to £6,479,725, being only 9 per cent. for the year on the prime cost. This was certainly not a sufficient per centage to set aside or disburse for deterioration and maintenance and renewals of the rolling stock and movable effects of any average railway; so that these eight English railways, working upwards of 4/7ths of the entire length of railways in the United Kingdom, assuredly do not comply with the statutory regulations in these respects.

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CHAPTER VIII.

The duties of the Legislature as to preventable accidents. American and English railway servants. Automatic couplings—English methods and American management. Statistical and beneficent advantages of automatic coupling.

THERE is a general rule established by the British legislature, that, when a trade is pronounced to be dangerous, it should be placed, more or less, under State regulation, and it seems to be well establised by many precedents, that it is the duty of the State to interfere with, and to regulate, the carrying on of trades and employment of processes, that are regarded as dangerous. No doubt can exist as to the fact, that the conditions of the work of the railway shunter entail dangers to life and limb, which far exceed the risks involved in any other calling exercised in England; and these dangers are, as is alleged on every hand, even greater than those which the soldier has to face, when engaged on active service. Having regard to the additional fact, that these dangers are for the most part preventable, the

neglect of our railway operatives by the State, is all the more culpable and startling; and it is probably the most glaring instance of injustice to a very deserving class of men, that can be cited against the Authorities. There also exists the long established fact, that anything which can be invented for use on railway waggons so as to obviate the necessity of the servants going between them would be of great advantage, not only to the railway companies, but to the servants generally; and the most desirable object to be attained by an alteration in the present system of coupling is to prevent railway servants from ever passing between the waggons.

It is in this connection that probably no clearer proof of the inferiority of our Governmental and railway administration to that of the American, becomes apparent. By comparing the official returns of the two nations as to the calamities arising through coupling and uncoupling operations, and dating the comparison from the year 1893 when the Safety Appliances Act was passed in the United States Congress, it is clearly shewn that in England the coupling and uncoupling casualties have increased in number since 1893, whilst in the United States they have been reduced during the same period

to considerably less than one quarter of their former dimensions. The returns state that, in England one in every 169 of the shunters is now killed annually and one in every thirteen is injured; whilst the United States returns shew that one only in every 837 of their servants is killed annually, and one only in every 65 is injured. The beneficial results which have thus accrued in America are mainly due to the introduction of automatic couplers; but these couplers have not yet reached anything approaching to a state of perfection in the United States; as, according to the last annual returns just published, there were in 1901 no fewer than 18,463 reported cases of failures and defects in their automatic couplers.

The chief merit of the automatic coupler is that it acts without any manual assistance or supervision by the workman. Dependence therefore has to be placed alone, upon the certain true action of the machinery of the coupling. In the first place, there must be no chance of the two portions of the coupling not acting in unison; and, secondly, the coupling, when effected, ought to be so complete and strong, and yet pliable, that there shall be no risk incurred either of "break-aways," or of the trains being twisted, when passing over curves, and so leaving the line.

Whilst the application of automatic couplings to railway waggons is most desirable, any possible obligation to apply such couplings, should be preceded by investigations and experiments. The fullest practical tests and trials should be made, in order to ascertain the certainty and completeness of the action of any automatic coupling which may be proposed to be compulsorily employed.

The trials should be made with full-sized couplings on waggons in use, and should be tested by using the coupling on heavy trains in motion at various speeds on lines of railway, and in shunting yards where sharp curves exist.

Whilst the act of coupling may be automatic, the uncoupling must, in order to be quite safe, be effected by manual agency; so that if an automatic coupling be applied to railway waggons, the action of uncoupling must be effected by mechanical means, in order to relieve the men from passing between the waggons.

The employment of automatic couplings was suggested in 1874, and the practice of coupling and uncoupling waggons fitted in the usual manner, was effected afterwards by means of a shunting pole, which came into almost universal use about the year 1886.

This shunting pole probably lessened the risks, but it is still an imperfect means of coupling and uncoupling, as it can be used only with loose link couplings, whereas with stiff couplings, the men must pass between the waggons, so that the risks to life and limb have not been materially lessened by the use of the shunting pole.

Various exhibitions of patented couplings were undertaken during the years 1882 and 1886, but with no practical result. These exhibitions were held at Darlington in 1882, and at Nine Elms and Derby in 1886.

Formerly the waggons employed in the mineral and goods traffic of railways, were made with solid or "dead" buffers. The spring buffers were after a time introduced, and constituted a great improvement, their use lessening to some extent the gravity of accidents. The evil effects of the dead buffers, especially upon the railway traffic and rolling stock, were so clearly recognized by the railway companies, that in 1889 a resolution was passed by the associated companies resolving that no waggon having dead buffers built after that date should be received on the line of any company, and by this resolution the owners of such waggons, —who were for the most part private persons

or bodies other than railway companies,—are bound.

Sir Michael Hicks Beach, President of the Board of Trade, in the Session of 1889 introduced a bill into the House of Commons, by which power was sought to be obtained for the Board of Trade to make regulations as to the method to be employed for coupling waggons; but the clause conferring this power was not proceeded with.

Nearly one half of the waggons in Britain belong to private owners, in whose trade they are employed; but these owners of waggons do not urge, nor do the representatives of railway companies urge, that financial questions should impede measures necessary to secure safety to their servants.

The principle of the interference of the State with the conduct of "dangerous trades and processes" being well established, questions have arisen as to the definition of these words, and as to whether there were any grounds upon which railway companies could claim exemption from the application of that principle, to such portion of their operations as must be regarded as constituting a dangerous "trade." In cases where the Board of Trade after enquiry into

accidents had made recommendations of a reasonable character to railway companies, some companies had readily complied with such recommendations, whilst others had refused compliance.

A royal warrant was issued in 1899 for making enquiry into the causes of accidents to servants of railway companies, and to report as to the means to be adopted for reducing the number of such accidents.

The proceedings of these commissioners principally had reference to the urgent necessity for automatic couplings being used, and the enforcement by the State of regulations for their adoption.

The commissioners by their report which was issued in 1900 strongly recommended that the railway companies should, either voluntarily or by obligation placed upon them proceed forthwith to make practical experiments in order to ascertain the certainty and completeness of action of automatic couplings to railway waggons.

The commissioners also recommended that the Board of Trade should appoint a departmental committee to co-operate with the railway companies in making such experiments, and to consider the results of the experiments when made.

An Act of Parliament was subsequently passed intituled "The Railway Employment (Prevention of Accidents) Act 1900," which contained a general provision that when the Board of Trade considered that avoidable danger to persons employed on railways arises from any want of proper appliances, they may, after giving reasonable opportunity of reducing the danger or risk, make rules for that purpose. The Act also reserved to the Board of Trade power to require the use by railway companies of any appliance calculated to reduce danger to persons employed by them.

The railway companies have been doing nothing whatever in recent years with regard to the suggested experimental trials of couplers, although they have allowed inventors to fit up one or two waggons for the purpose of exhibition, &c., but not in connection with the running of traffic.

No such departmental committee as was recommended by the commissioners to be appointed by the Board of Trade, for the purpose of co-operation with the railway companies in making experiments, has ever been appointed, and the Board of Trade is not yet prepared to recommend any automatic coupling for general use on railways.

But the Board of Trade state in their returns

that throughout a period of 27 years, during which the subject of automatic coupling had been under their serious consideration, 14,230 British railway servants were killed and 76,630 were mutilated, a large proportion of these disasters having arisen through the non-introduction of a coupler which would have been suitable for general adoption on the railways, and would have lessened the dangers to life and limb.

To sum up the whole matter; and, bearing in mind that at the commencement of this period under review, there was a common desire on both sides of the Atlantic to introduce such automatic couplers as could be used on the various classes of rolling stock, all that has transpired in England since that time may be shortly stated in three sentences, thus :

Exhibitions of couplings were held in England in 1882 and 1886 and the shunting pole was introduced in the latter year.

The Board of Trade in 1889 made a futile application to Parliament for powers to issue regulations as to couplings ; and in the same year, the partial extinction of the dangerous "dead" buffers on waggons commenced, but this process has not yet been completed.

The Board of Trade in 1900 obtained parlia-

mentary authority to order the use of improved couplings or other life saving appliances on railways, and the Board of Trade has done nothing whatever in this direction since that time.

It is not easy to determine whether the nation or its railway servants have during all these sad years, derived any material benefit from the changes contemplated or made in their railway management as thus briefly summarized; but, the benefit, if any, certainly appears less than nothing, when contrasted with the vast improvements which have been effected in the management of American railways, during the same time.

Instead of American railroad companies refusing compliance, as in England, with reasonable recommendations of the State, the railway companies of America needed no compulsion to induce them to use automatic couplers. They readily joined in united action with the State, and with their own mechanical officers and employés, and also with insurance and tradesmen's organizations and brotherhoods, in introducing and promoting the universal use and methodical maintenance of automatic couplers, with a view to establish that increased security of life and limb which they afford.

In 1874 the Master Car Builders Association in conjunction with the railway companies of the United States, made experiments with automatic couplings, some of which were applied to a few railway carriages, and in 1887 the executive committee of the Master Car Builders Association recommended the use of an automatic coupling called the "Janney."

In the year 1889 the President of the United States sent the following message to Congress "It is competent, I think, for Congress to require uniformity in the construction of cars used in inter-state commerce and the use of improved safety appliances upon such trains. Time will be necessary to make the needed changes, but an earnest and intelligent beginning should be made at once. It is a reproach to our civilisation that any class of American workmen should in the pursuit of a necessary and useful vocation be subjected to a peril of life and limb as great as that of a soldier in time of war."

In 1891 the Inter-State Commerce Commission called a convention of the state railroad commissioners, which resolved that the state Legislatures should require freight cars to be equipped with the automatic coupler of the Master Car

Builders' type, and recommended Congress to take similar action.

In 1893, as the result of the President's message, Congress passed an act called "An Act to promote the safety of employés and travellers upon railroads by compelling common carriers engaged in inter-state commerce to equip their cars with automatic couplers and continuous brakes, and their locomotives with driving wheel brakes and for other purposes" and by section 2 of the Act it is enacted "That on and after the 1st January, 1898, it shall be unlawful for any such common carrier to haul, or permit to be hauled, or used on its line, any car used in moving inter-state traffic not equipped with couplers, coupling automatically by impact, and which can be uncoupled without the necessity of men going between the ends of the cars."

On the 1st July, 1898, out of a total of 1,113,745 cars in use in the United States, 784,596 or 70 per cent. were fitted with automatic couplings.

Under the powers given by the Act the period for applying the automatic coupling was altered by an extension of two years, and the whole of the cars in the United States were not fully equipped with automatic couplings until the 1st August, 1900.

Since that date no car which is not fitted with automatic coupling has been allowed to run on any of the United States railways, whereas automatic couplings are practically unknown in England at the present time; and the immolation, before the shrine of inert officialdom, of the recorded 14,230 lives and 76,630 limbs, is continued, as relentlessly as ever.

In the United States an employé who sustains an accident resulting in immediate death, or in death within 24 hours from the time the accident occurred, is reported as "killed" and an employé who sustains an accident which prevented him performing his accustomed service for more than three days in the aggregate during the ten days immediately following the accident is reported as "injured."

Accidents resulting in death or injury to servants in England whilst engaged in factories owned by railway companies are not included in Board of Trade returns. Accidents to such servants of railway companies as are killed or injured on colliery sidings or lines not belonging to a railway company are not reported, as it forms no part of the duty of any person to report them.

The colliery owners do not report them, because the men are not their servants, and the railway companies are under no obligation to report them, because the accident has not happened on their railway. The casualties in England are therefore far more numerous than those which appear in the Board of Trade returns. The definitions of the words "killed" and "injured," adopted in the returns of the United States and England, are almost identical.

The uniform testimony of the members of the Inter-State Commerce Commission, of the American Railway Association, of the Master Car Builders Association, and of the brotherhood leaders, as to the beneficial results of the safety appliances law, is very satisfactory, and of extreme importance. It is principally the testimony of men who are accustomed to weigh their words, and whose opinions are therefore most highly respected. When men of such character speak of the "inestimable value of," and the "incalculable benefit from," the safety appliance law, the words have an unusually significant meaning. Railway managers are not likely to speak, as they do in the United States, of large per centages saved in accidental expenses in this connection, unless the saving is plainly seen.

A marked increase in the reserve fund of an insurance organization is an argument frequently used there, which the most superficial or indifferent observer will appreciate.

The decrease in the number of fatalities and casualities to employés, engaged in the United States in coupling and uncoupling operations, is, in a very large measure, the result of the operation of the Safety Appliance Act of 1893, which only came into full operation, as before stated, in August 1900.

The statistics which have been published for the years from 1893 to 1900 are shown in the following table :—

ACCIDENTS INCURRED IN COUPLING AND UNCOUPLING CARS.

Year ending 30th June.	Total Number of Employés.		No. of Trainmen employed to one.	
	Killed.	Injured.	Killed.	Injured.
1893	433	11,277	349	13
1897	214	6,283	647	22
1898	279	6,988	518	21
1899	260	6,765	563	22
1900	282	5,229	550	30

The numbers killed in coupling accidents in

the year 1901, expressed by the ratio of the number killed to the total number employed, appear to have been less than in the year immediately preceding, by about 35 per cent., and the number injured by about 52 per cent. This appears in the following table, which covers 70 per cent of the operated mileage of the United States.

ACCIDENTS INCURRED IN COUPLING AND UNCOUPLING CARS.

Year ending 30th June.	Employés on 87 Roads.		No. of Trainmen employed to one.	
	Killed.	Injured.	Killed.	Injured.
1898	209	5,433	555	21
1899	196	5,281	592	22
1900	228	3,970	546	31
1901	161	2,082	837	65

The Inter-State Commerce Commissioners report for 1900 states, that the number of killed in coupling and uncoupling accidents averaged 23½ a month, and that, according to the returns for a subsequent month, four employés only were killed during that month, while coupling and uncoupling cars; and the reports of

subsequent months warrant the expectation, that the casualties for 1902 will be less than those of 1901, and that the great improvement in conditions under the first year's operations of the law, will be still more marked in the second year.

At Chicago terminals, a careful record is kept of all casualties; and it states that in the year 1895 twenty-eight employés were injured in coupling and uncoupling, whilst in 1901, just then closing, there had been only three such injuries.

The graduated improvement in the good results of the introduction of the automatic coupler, occurring as it perceptibly did, just in proportion as the proper equipment of the cars proceeded, is clearly shown by the above tables; but, the saving in money and lives by this reform, is, in the nature of things, not susceptible of measurement; although the advance is just as certain as if it could be accurately measured.

In addition to the diminution, through automatic coupling, in the number of fatalities and accidents in the United States—which in itself is a sufficient reason for its application in England—the automatic coupling has also, as

has been established beyond all question, made possible, the movement of a volume of traffic which would have been impossible with the use of the former appliances.

The automatic coupler has therefore become an absolute necessity in the operation of railroads which have long trains, or use the powerful locomotives and heavy cars, which are now common in America. Competent observers, both among railroad officers and persons who are wholly disinterested, are substantially agreed, that, without the automatic coupler, the work of switching and making up trains in yards, would require from a fourth to a third more time than it now does. Without the automatic coupler, nearly every yard in the country would be blocked, as, with the former appliances, it would require one third more room to do the work. With the great volume of business in the country, no single large road in America could do its business, without the aid of the automatic coupler, which has made terminal work much more economical. It is not an unusual thing to see a switch engine doing work, with 25 to 30 cars, taking one half of a train, and switching the cars to the several tracks with celerity and uniform movements.

In many yards the cost of switching has been reduced to three and a half cents a car, and, whenever there is much snow on the ground, switchmen will do four times as much work in the same time, as they did under the old conditions —and, since the work has become so much less hazardous, more steady and better men are gradually coming into it.

In the nature of things the cost of yard work cannot be measured with accuracy ; but, where one of a number of switching engines,—the operation of which costs roughly 25 dollars a day,—can be taken out of service by reason of the faster work done, as has been the case at some yards, the saving is definite and substantial. The increased economy is also seen in the case of yards which were taxed to the utmost capacity by the work required four or five years ago, but which have been able to accommodate the large increase of traffic in the last few years, without additional tracks or switches.

Thus the policy of the Congress, in enacting the safety appliance law, is amply vindicated, on what may be called "business considerations," and without any regard to the question of safety of life and limb. In short, the radical improvements in the construction of cars with automatic

couplings, and powerful locomotives, must be regarded as most important elements in the marvellous progress, by which the railroads in America have continued to cheapen the cost of transportation, and, at the same time, conserve the safety of their employés and passengers.

The use of cars of greater tonnage capacity, is also universally deemed essential, in order to carry freight economically. Practically, all of the thousands of new cars, built during the past year, have been designed to carry from 30 to 55 tons, the great majority of these being 40 tons or larger, and thousands of them 50 tons, being marked 100,000 pounds, but regularly loaded with 110,000 pounds. These cars weigh empty from 15 to 19 tons each, whereas the older cars weigh from a fourth to a third less. The increased economy secured by the use of the heavy cars, is so marked in some kinds of traffic, that prudence dictates the abandonment of smaller cars, long before they are worn out; and to some extent this has been done.

The highly satisfactory and gratifying results which have thus far been achieved for the American nation, and its railroads, are entirely due to the energy and perseverance of the men, in and out of Congress, who brought about the passage

of the law; to the persistent work, and united action, of the managers and mechanical officers of the railroads; and to the intelligent and careful inspection of the rolling stock by the Inter-State Commerce Commissioners.

The Commissioners employ six inspectors who visit the freight yards, and examine all cars, with a view to discover any defects which may exist, or constitute a violation of the Federal statute. They are men who have had long experience in matters of railway equipment. During the year ending June, 1901, they examined about 98,600 cars, the result being that there appeared to be a general improvement, on the previous inspection, of about 13 per cent. in the condition of the cars. But still, there were last year, as before stated, upwards of 18,000 reported cases of failures and defects in the American automatic couplers, and in their uncoupling mechanism. On the latter class of defects, which constitutes nearly two-thirds of all the defects found in connection with couplers, the Commissioners report an improvement of 25 per cent. on the preceding period, which is a substantial gain, and the accuracy of the figures is confirmed by observation at many places.

It is a well-known fact, that, uncoupling

attachments have been among the most troublesome subjects, in connection with the introduction of vertical plane couplers. A large percentage of the minor accidents to trainmen, since the introduction of automatic couplers, has occurred while using, or trying to use, these appliances. The horizontal bar, bent at the end to form a handle, is frequently displaced, and becomes out of order, so that the brakeman on attempting to use it, cannot do so. Uncoupling rods are also frequently found defective, by reason of the chain being too short. This defect is liable to cause the uncoupling of cars when they are in motion; and, on ascending grades, or passing over summits, many collisions have thus arisen. The inspector or shopman who attempts to remedy the defect of a short chain, is liable to put on a chain which is too long, thereby introducing a difficulty of another kind; for, too long a chain may make it impossible for the brakeman or switchman to lift the coupling pin, without going between the cars.

A common defect in couplers, and one which is the cause of much trouble and expense to the railroads, is breakage of the knuckle. It is well known that these breakages are often due to shocks or strains, which, if the knuckle had been

solid, would not have been serious enough to produce injury. In other words, if it were not for the slot and holes which are left in the knuckle, the strength and security of the coupler would be much greater than it is ; and, it seems rather remarkable that the solid knuckle has not yet come into use. Now that practically every car is equipped with this type of coupler, there is no reasonable cause for not using the solid knuckle, as its use would at once reduce the breakage of knuckle lugs, and also diminish the wear on the faces of the lugs.

It has now become generally understood, that the outside of the casting of one coupler must fit the inside lines of its neighbour coupler. When this is not the case, distortions and strains are introduced, which materially affect the operation, and the life, of the couplers.

The great number of the different makes of couplers, and the many different ways of operating them, requiring as they do different sizes and kinds of material, render it almost impossible to keep on hand everywhere, a complete assortment of all the kinds of material, and parts of couplings, which are required for the purpose of making repairs ; consequently, wrong material and unsuitable parts of couplers are sometimes used,

and, in other cases, many defects are permitted to pass, without repair at all, seeing that nearly every style of coupler requires its own special parts, and the necessary portions for replacement are not always at hand.

Frequently couplers are applied to cars that require the use of a tailpin, and often, especially in replacements, this pin is too long, and the slack in the pin is not taken up. The car is despatched from the repair track, with an uncoupling chain of apparently the right length; but, after the car is loaded and placed in a heavy train, the tremendous strain pulls the coupler out to the extreme limit, with the result that the uncoupling chain either breaks, or releases the lock pin, and allows the car to uncouple.

Very few couplers now in use, adhere strictly in construction to the Master Car Builders' contour lines. Nearly every coupler manufacturer apparently has contour lines of his own, with the result, that, when two different makes of couplers come together, they do not unite easily by impact; and, after being coupled together, they do not have the same centre line of draft. This causes abnormal strains, and the weaker coupler often suffers in sheared knuckle pins, or twisted shanks. Once in that condition, they will always

be hard to couple, and, in consequence, the trainmen and engineers are in the habit of striking all the cars hard blows, to make them couple, and this rough handling, of course, causes damage to the cars, and gives rise to much dissatisfaction and unpleasantness.

The practice of men running in front of approaching cars to open knuckles, is still very common, and a great many accidents result from it. For instance, the knuckle on the standing car, for some reason cannot be opened, or, the man may think that certain couplers will not unite, unless both knuckles are open. He therefore steps in front of the approaching car, to open the knuckle. It may be difficult to open, and he walks along backward, still endeavouring to open the knuckle, and he neglects to watch how close he may be to the standing car, when suddenly he is caught between the couplers, with resultant fatality or injury.

It is obvious that if the contour lines of automatic couplers differ from each other, the coupling can never be effectively made; besides which, when impacted, the couplers sometimes, as stated, have different centre lines of draft. To obviate the present necessities of passing between the cars to open the knuckles, prior to

the impact, and the subsequent hammering of knuckles to complete it, the trainmen are looking forward to some knuckle-kicking mechanism, which they regard as an absolute necessity, to perfect their system.

All existing complications in construction, and the disadvantages in the operation, of automatic couplers, point to the imperative necessity for one universal coupling being adopted in every country, to suit the rolling stock used on its railways. The English companies should in their own interests, at once agree among themselves upon the adoption of a suitable coupler of one design, embracing the elements of strength, simplicity, and finish, the whole being embodied in one universal coupler. The Companies, in addition to effecting an immense saving of life and limb, would also save thousands of pounds in material, in shunting space, and in wages; besides which they would overcome their present difficulties, incident to the serious delays which exist in their freight deliveries.

In referring to some of these matters the Inter-State Commerce Commissioners explicity assert, that the needs of the future in respect to couplers, may be described under the heads of

strength, simplicity and finish. The shape and size of the framing of the cars, and the principles on which the couplers are designed, impose limits on the size of the couplers themselves; and therefore, the only way by which they can be increased in strength, to meet present demands, is by using better and stronger metal. The efforts which have been made by the various manufacturers and railroad companies, to accomplish these ends, have resulted in progress already, and have been accompanied by improvements in the direction of simplicity. In speaking of finish, they refer to the need of greater care in the establishment of the outer coutour lines, and of greater smoothness, to make the couplers work well with one another. In all these particulars, much advance has already been made. At the same time it is necessary to say, that, there are many roads which have still much to do, to bring their equipment up to the best practicable standard.

CHAPTER IX.

Necessity for the adoption of improved couplings on English lines. Parliamentary powers for their enforcement. Experiences and statistical details as to American automatic couplings. Subjects of national concern. Responsibilities of State officials and the railway companies. Individual enquiry into railway affairs suggested. American and British Directors. Historical faults in railway financial procedure. The present external and domestic troubles of railways. Proposed age limit of directorates or employés suggested by North Western board. The squables of that board with their shareholders advisory committee. A few types of automatic couplers.

AMONG the numerous advantages which would unquestionably arise, from a general application of such automatic couplings, as would, by reason of their strength, simplicity, and finish, be suitable for universal adoption on all its railways, it is obvious, that, by the use of such couplings, when applied throughout Britian, there would, in the first place, be no risk whatever to life or limb; for, men would not be required to get between the waggons, either to couple or to uncouple them. As the waggons would couple themselves almost instantaneously, the shunters' time, which now is employed in that act, would be entirely dispensed with; and the uncoupling

would be done with facility, in much less than the average time which it takes at present to disengage the waggons from each other. Besides, a great saving in shunting space would be effected by their adoption. It is estimated that these advantages, with the saving of the present labour, and of the unavoidable cost of that labour, would meet the initial expense of the coupling equipment, within a few years of its introduction; so that it could be speedily paid for, out of the incremental revenue which would be earned, instead of being charged to capital account, as contemplated under the borrowing powers which are sanctioned by the Act of 1900. The saving in subsequent years would be a positive monetary gain, thus improving the revenue accounts, and operating against the uniform shrinkage in the dividends which have been paid on all the ordinary stocks of British railways for many years.

The Board of Trade have authority under the Railway employment (Prevention of Accidents) Act, 1900, to order the adoption by railway companies of automatic or other couplings, or life-saving appliances; and the Act provides that the company may furnish to the Board of Trade an estimate of the expenditure; and that

thereupon the Board of Trade shall fix and determine the sum which is properly chargeable to capital account; and that the company may issue debentures, or debenture stock, ranking *pari passu* with any existing debentures or debenture stock of the company, to an amount not exceeding the sum so fixed and determined; and that any money thus raised shall be applied in carrying out the orders so made by the Board of Trade, and to no other purpose whatsoever; and no other authority, save the certificate of the Board of Trade, shall be requisite to authorise and validate the issue of the debentures or debenture stock.

This clause appears to have been introduced specially to meet the urgent need of an immediate adoption of automatic couplings. There are now slight indications, that, although the railway companies may be indifferent as to introducing them, the Board of Trade are somewhat disposed to enforce their use, on a suitable coupling being found. Armed, as they are, with ample powers to remedy existing evils, the Board of Trade will be altogether without excuse if they allow such a long-standing, national scandal, as the wholesale and preventable slaughter and mutilation of our

railway servants, to continue any longer than is absolutely necessary.

The universal approval which greeted the expression of the views held on this subject by the United States President in 1889, would to-day meet with a general response from all hearts in England on their unanimously avowing, as they undoubtedly would, that the neglect of our railway servants is a standing reproach to our boasted civilization, as a nation professedly founded on principles of benevolence and justice.

There is reason to believe that, among the innumerable inventions which have been patented in England, one automatic coupling, at least, might be discovered, which would be of perfect utility, and capable of gradual introduction on English railways, without interference in any way with the trading or commercial operations of the country.

By the adoption of automatic couplings in America, as has been stated, a reduction in the annual number of deaths through shunting operations, was effected in seven years, from 433 to 161; and in other shunting casualties, the annual number was reduced, during the same period, from 11,277 to 2082. The American statistics also show, that, out of every 349 men

employed in 1893, one employé was killed; as against one only being killed in 1901 out of every 837 then employed. In 1893 one in every 13 was injured, whereas one only in every 65 was injured in 1901.

The American statistics thus prove conclusively, that, in the absence of automatic couplings, and at a time when the volume of traffic was very much less, the casualties were five times greater than they were, with a considerably increased traffic, after automatic couplings had been introduced.

The saving in working expenses under the various headings mentioned in the preceding chapter, with respect to shunting and other kindred operations, proved on the introduction of automatic couplings, to be of immense importance to the shareholders, and represented a value which it was found almost impossible to estimate.

It is candidly admitted in the Inter-State Commerce Commissioners Report, that the various parts of their automatic couplers, being 17 in number, are made up, and put together unsatisfactorily; that they differ, not only in sizes, but in quality; and that they are unsuitable for coupling properly with each other. That in the

process of coupling, as the couplers differ in their contour lines, hammering is necessitated, not only to impact them securely, but to uncouple them; and all such operations necessarily result in delays, breakages, ond damage; besides which, great danger arises through the coupling mechanism constantly being broken, bent, worn, loose, kinked, split, sheared, and twisted, so that the conplers are at length rendered inoperative. These defects, represented to be 47 in number, have recently formed the subject of somewhat hostile criticism, by one of the officials of the North Western Company. The attack was probably directed with a view to taking up a position of defence, in the event of the Board of Trade insisting upon the general adoption, by railway companies, of the automatic coupling of waggons.

The marvellous and beneficial results, derived by railway employés and shareholders, through the introduction in America of safety appliances, defective as they were, would have been far more impressive and convinciug, had the American companies possessed a more simple and effective coupling, at the outset of their judicious and humane operations. As the complicated mechanism of their appliances becomes simplified, and their admitted defects are corrected, so will the

saving of life and limb increase, and the resources of the companies augment in value.

The British State authorities, during the past quarter of a century, have, in neglect of the national interests, refused to accept the irresistible convictions which all these startling facts are so well calculated to impress upon ordinary minds; they have obstinately refused to recognize the infinite importance of the automatic coupling of waggons; and they have resolutely disregarded the urgent appeals of the railway workers for, and their indisputable right to, that protection to which they and their families, have been throughout entitled; as acknowledged on all sides by every section of society, except the short-sighted and incompetent railway director, and the heartless State official.

The Railway companies should now for themselves, and in their own and the national interests, consider, not only their duties to humanity and the State, but they should have regard to the pecuniary advantages which would accrue to themselves, in common with all mankind, from the introduction into Britain of universal automatic coupling arrangements.

The nation is not altogether indifferent to the paramount importance of this subject, as it

appears from the patent office records, that, during the 27 years which have passed since the agitation in favour of railway servants commenced, upwards of 1,500 applications for automatic coupling patents have been made. Of this number, no less than 755 patents for automatic couplings alone, have been completed and taken up, and in addition thereto, many other coupling appliances have also been patented. The public therefore, throughout this long period, cannot be charged with having been as apathetic with regard to this serious matter, as the responsible authorities are clearly proved to have been.

We are now passing through an age of feverish excitement, when other nations, who are fortunate in living under more level-headed management, are forging ahead of us, and we are becoming displaced by them, in the crowded markets of the world. We are apparently accepting these defeats with resignation, and lapsing into a condition of general retrogression, which, if not arrested, must eventuate in national disaster. It is surely time that we were aroused from our lethargy and indifference, and entered upon an earnest enquiry, for ourselves, as to the methods in which our national affairs and

railway management are conducted. We should ask ourselves how the reputed guardianship of our general affairs, and of the national interests in railways especially, is administered; and we should ascertain, and determine for ourselves, the extent to which the nation is suffering through their manifest mismanagement; and in what if any degree the nation is protected, and its rights safeguarded, in these respects by our officers of State. Although exercising nominal authority over, and supervision of, our railways, there is every symptom of the State authorities having been, at every point, out-manœuvred by the companies; and, in consequence, the national interests in railways are virtually becoming gradually extinguished; and, more important still, our commerce is also seriously suffering in consequence. Our former commercial supremacy is in a state of gradual decadence, in close alliance, as this is, with the downward grade of our railways, all these calamities being traceable, in a large degree, to the general weakness and inefficiency of our Board of Trade officials.

Notwithstanding the all-important circumstance of the railways being national institutions, and that the Board of Trade are the exponents and expressly appointed guardians of national

rights, there cannot be a shadow of doubt that the Board, under pressure of unscrupulous and interested Members, have uniformly extended to the national railways, unlimited encouragement to persist in irregularities of every conceivable nature; greatly to the prejudice and injury of the nation, which pays these said officials very handsomely, for a continuous display in every direction, of their general negligence of, and incapacity for, duty.

Turning again to America for enlightenment, as to the causes which have led us into these dilemmas, we find that the presidents and directors of American railways are carefully chosen, on account of their practical knowledge of railway affairs and management, and also on account of their administrative and general business capacity. They are, as a rule, thoroughly well trained, and in fact they are usually the best men that can be selected for the various posts; and moreover, they are placed in control, at an age when their energies and mental and physical endowments are at their best, and in greatest force. From the thoroughness of his early training, and his practical experience, an American emyloyé in the lowest rank, may work his way, until in early life, he has been

assigned the position of president of an American railway.

The directors of English railways on the other hand, as we have seen, are not so carefully chosen. They are in many cases selected from classes who are wholly untrained in, and ignorant as to, railway affairs or management; possessing not even a rudimentary knowledge of the principles on which business is conducted; but these men are nevertheless often retained in the management of railways, until such energies, as they may ever have possessed, are exhausted. The director of an English railway is also sometimes chosen on account of his having an ornamental name; and, in many of these instances, he is ornamental only, in all other respects. He falls into line in the ranks with his associates, and he operates merely as an automaton, from the moment of his initiation until it happens that, greatly to the advantage of the railway, his retirement has been effected.

The main object principally kept in view by English railway directors, has uniformly been that of paying, at any cost or risk, the highest rates of dividends, without regarding the question whether the dividends so paid have been honestly earned, or have been partially provided

out of capital or other principal moneys. The companies appear to be indifferent as to the absurdity of continuing such a disastrous policy as that by whieh they may, by a slow process, be unwittingly converting their ordinary stocks into something bearing a close resemblance to terminable annuities. This course, which has been more or less pursued by every railway company, can have no other termination, if persisted in, than that of causing an absolute cessation of dividends being paid on the ordinary stocks; and it is consequently, not only a matter of grave importance to the shareholders, but it has affected, and it will continue seriously to affect, the national prosperity, long before and after the deadly process is completed.

The methods in which some of the State departments usually conduct their business are notoriously unsatisfactory; and no evidence appears to exist of the Board of Trade ever having succeeded, to any appreciable extent, in the institution of any important measure, having, for its sole object, the promotion of the interests of the nation in its railways. Their officials have uniformily stood by, allowing the companies to march along at their ease, complacently accepting whatever accounts and figures have been furnished

to them, without the bestowal, on their part of a passing thought as to where the nation and its railways have been drifting together for so many years. They have regarded their financial and statistical duties with reference to railways, as being centred in, and limited to, a listless presentation periodically to the nation, of tabulated returns, based upon false and imperfect working accounts, and their manipulations of the figures, have been, as previously mentioned, unreliable and misleading. Their deductions in many instances have been fallacious, and bear a close resemblance to the stereotyped and threadbare observations of railway chairmen, which are doled out half-yearly with systematic regularity to their shareholders, expatiating upon the current cost of coal and other material, as compared with the prices ruling in former years, with an addition of customary versatile soupçons, interlarded here and there, just to suit the purposes of the board at the time.

Contrary to all rule and sense, the companies in their early career, whilst in insolvent circumstances, and in times of panic, mortgaged the whole of their properties in perpetuity, at high rates of interest, without reserving the usual powers of redemption by which in brighter days

they might have obtained money in abundance at cheaper rates, so that they thereby recklessly forfeited by a single stroke every opportunity of effecting any reduction of their liabilities. Not only so, but in a subsequent and more enlightened age a far more extraordinary and idiotic policy was entered upon, by which the national railways, without receiving any equivalent whatever, voluntarily added to their actual indebtedness no less a sum than 44·2 millions sterling, in favour of their fully secured creditors; and this enormous amount, at current values, constitutes to-day an annual charge on the British railway revenues of about a million and a-half sterling. However all these remarkable indiscretions and irregularities received the sanction and approval of the Board of Trade, as our national guardians, endowed, as they are in some respects, with such intelligence as may any day be met with, among permanent residents or guests in county asylums.

In the course of the rapid advancements in science and economics, which affect the national prosperity, great improvements have naturally set in with every generation; and the railways have not always been prepared for the changed conditions which have thus been forced upon

them. Spending, as they invariably have done periodically, and most improvidently, more than the whole of their actual net revenue, had it been properly ascertained and determined from time to time, they have not retained in hand any reserves whatever with which to meet the unexpected liabilities and cost which new circumstances and changes have necessarily involved them in.

Many railway authorities are now seriously occupied on more careful enquiries as to their financial condition, and in arranging their affairs, so as to guard against further indiscretions and complications, and also to prepare for meeting the present and approaching dangers with which they are confronted; and these evils are by no means pleasant to contemplate, being probably nearer to an earlier consummation than is generally anticipated. There are, however, other railway magnates who, somewhat light-heartedly, regard very real and existing dangers as mere phantoms. A glance at the various subjects, which are absorbing so much public attention at the present moment, will show the necessity for all the companies preparing themselves to meet the difficulties in which they are involved, as their dangers have a very substantial existence.

They have to reckon with: (1) the important waggon problems which bristle with difficulties, (2) the withdrawal or disturbance of traffic, by electric rivalry, as in the metropolitan area alone the railways at present provide for the daily transportation of two million passengers, (3) the impending equipment of new rolling stock, and its electrification, in order to protect themselves against scientific encroachments on their preserves, (4) the possibility of portions of their present steam rolling stock becoming obsolete and useless, and the necessity in that event for its book value being charged to revenue, as an actually ascertained loss, (5) the constantly fluctuatiug working expenditure, which is ever increasing in its ratio to their revenue receipts, (6) the pressing demands of their servants for redress, more generous treatment, and the protection of their lives and limbs, (7) the constant complaints of their dissatisfied traders, as to the unsatisfactory and costly transportation of their merchandise, and the preference extended unjustly to their foreign rivals, greatly to the detriment and injury of British trade, (8) their third class passengers have substantial ground of complaint, seeing they contribute the bulk of the companies' revenue, and receive the worst

treatment in return. Third class passengers are charged, by every company, the maximum fare permissible by law, without allowance or reduction in fares on return journeys; and they have only in recent years, and to a very limited extent, had season tickets issued to them at reasonable rates. (9) The press have been for months strenuously denouncing the folly of entrusting the future control of railways to hosts of crippled, broken down, and octogenarian directors; who, burlesqued and caricatured as they are on every hand, and in bitter terms, are still capable of resenting what they are pleased to regard as impertinence or unjustifiable interference on the part of shareholders, although it is they who really employ and pay them as their salaried and accounting servants. (10) The shareholders themselves feeling the pinch of hard times, and the reduction in their dividends and capital values, also join in the general chorus of discontent; but they are precluded from charging their directors with folly, in the pursuit of a dangerous policy, which they have throughout assented to and approved. And lastly the railways have still to meet the objectors, in the public interests, to their imperfect accounts which it would be difficult to frame in more

mystifying, illusive and misleading forms than they are at present; and which, by no means, adequately meet the ordinary requirements of modern times. The nation, by virtue of its interest in railways, is entitled to full, clear, and intelligible accounts, prepared in harmony with sound financial principles, and according to such methods as are usually observed in other concerns, carried on for profit, paying special regard to the fact that the railways are national institutions, which are intended to have a permanent existence.

The North Western board of directors, about eighteen months ago, had under consideration the advisability of the retention in the company's service, of such salaried staff officers as occupied positions of responsibility when advanced in life; but, it does not seem altogether clear, whether the chairman and some of his co-directors were then contemplating an immediate retirement from office, or a general exodus in June 1903. A circular however has just been issued by the company as follows:—

"Secretary's Office,
"Euston, Dec. 10, 1902.

"Dear Sir,—I am directed to enclose you copy

" of a resolution passed by the board of directors " on July 18, 1902, as under :—

" ' No. 18,512. Retirement of salaried staff
" ' at age sixty and upwards.

" ' Resolved :—

" ' That on and after July 1, 1903, every
" ' salaried officer shall be called upon to
" ' retire on attaining the age of sixty-five.'

" As this will henceforth form one of the " conditions attaching to joining or remaining in " the service of the company, I shall be obliged " by your acknowledging the receipt of this " communication upon the form appended.

" WALTER R. HAYWOOD, Secretary."

Whether the directors are technically "salaried officers" or members of the "salaried staff" of the company, and have thus unintentionally placed themselves within the scope and operation of their own age rule, is immaterial. The shareholders will apprehend the importance of this new regulation, without questioning its sole applicability to the subordinate members of the "salaried staff" at the age of 65, and they may consider that it should apply equally, and probably with greater force, to their octogenarian

rulers in the board room. In either case the directors have furnished a very influential section of their shareholders with whom they happen to be at variance, with a very substantial weapon, amply sufficient to justify the company in forthwith proceeding to the election of younger, more vigorous, and competent men, to assist in the future management of their affairs.

About a year previously to passing the resolution as to compulsory retirements, the shareholders were under alarm as to their affairs, the reduction of dividends, and the declension in value of their stock, notwithstanding the fact that there had been a marked expansion of traffic. An advisory committee was formed, consisting of shareholders of high standing, and men of practical business experience, and of equal competence with the board, to deal with the matters in question. The committee, from the date of their appointment, have been in active correspondence with the board, and it will be seen from the nature of recent communications which passed between the two bodies, that the shareholders' committee displayed a far greater knowledge and grasp of the important subjects under enquiry, than was possessed by the full body of directors.

One of the principal matters to which the committee directed the attention of the board, had reference to certain measures which had been recommended for adoption by the company, in co-operation with other railway companies, with the object of securing a more economical and efficient working of the line; which the committee stated, would result to the mutual advantage of all the companies concerned, and also prove highly advantageous in the public interest.

With regard to this subject, the committee represented that they attached great importance to genuine and effective co-operation among railway companies. They had been fortified in their view by the statements recently made by the chairmen of several leading railways of the country endorsing that opinion, and also by Lord Stalbridge's declaration, made in August last at the general meeting of the company, that he would do all in his power to forward this object.

Assuming, as they had reason to do, that no new departure had been taken, and no satisfactoy progress made, towards attaining this object, they felt it was their duty to again suggest that the board, as representing the premier railway of the

country, should summon a special conference of railways, to examine and define the best means of securing that greater measure of co-operation which they and other responsible authorities had, declared to be advisable.

To the suggestions as to convening the general conference which was proposed by the shareholders' committee, the directors replied by alleging that for many years past both directors and managers had been steadily pressing the policy of co-operation, and many arrangements with regard to competitive traffic, with a view to avoid wasteful competition without disadvantage to the public, had been concluded and were in force between most of the principal companies. These arrangements, however, from their nature, could only be arrived at by careful and almost confidential negotiation, and with due regard to the diverse interests which are involved. The board were, therefore, most distinctly of opinion that the summoning of a special conference of representatives of railways in the manner suggested was not a practical means of furthering the desirable object which they all had in view.

It would not be possible, even if were desirable, in the compass of a letter to explain the numerous difficulties which render such a

general scheme of co-operation as appears to be contemplated by the committee impracticable, but the directors were taking advantage of all opportunities which present themselves of making friendly arrangements with other companies.

The shareholders' advisory committee, in their reply to the board, stated that the opinion which they were obliged to entertain, was confirmed by the recent speeches of Lord Allerton, the chairman of the Great Northern Railway, and of Sir Ernest Paget, chairman of the Midland Railway, who recommended co-operation.

Lord Allerton stated that he would be "glad to do anything to avoid unnecessary competition." Sir Ernest Paget stated that "he should be happy to meet the chairmen of the boards of other companies." Their view upon the important subject of co-operation was that, in spite of the "many arrangements" referred to, there existed a rivalry prejudicial to their own interests and to those of the public at large. The chairman of the North Eastern Railway stated in August last:—

He believed in the co-operation of companies, and that instead of quarrelling over a ton of goods they ought to agree which is to carry it

and load the waggons fully, and not send empty waggons into one another's districts. He believed this would prove to be, if it ever can be carried fully out, the salvation of railway property.

This rivalry had been further defined by another railway chairman in the following terms, which the committee entirely endorsed :—

They saw two waggons half-filled going from one point to another, whereas one waggon could have taken the whole stock and merchandise, and gone by one route and paid. Two waggons paid neither company on either route ; one waggon would have paid one of them. The result was that the shareholders had to suffer from this ridiculous competition.

The committee added that in their opinion this rivalry has a wider result than the loss of their dividends. By gravely prejudicing the economical handling of traffic, it eventually hampers the trade of the country.

The Shareholders' committee in the next place called the attention of the board to the improved methods of handling traffic, now well understood to have been generally practised in America, but which, as the committee and the board were equally aware, differs very materially from the methods which prevail in this country. The

committee alleged that there was evidence that dividends had been largely increased in America, owing, among other causes, to the adoption of the system in question. The board, however, in their reply to the committee, urged that the waggon question had been so thoroughly ventilated, and the differences between the circumstances of American railways and English railways so often explained, that it might fairly be assumed that the majority of people interested now see that the general adoption of large waggons would be utterly inapplicable to English traffic, and no general railway conference is necessary to discuss a question which has had so much attention from railway directors and officials. That it is a certain amount of economy in hauling a given load in one large waggon instead of four small ones needs only to be stated, but there are other considerations affecting the question beyond mere haulage. Experience shows that the course of trade in this country will not yield heavy waggon loads of goods or merchandise traffic, and that to build larger waggons for this class of traffic than can be usefully employed would be unprofitable.

The shareholders' committee in their rejoinder called the attention of the board to the facts that

the Lancashire and Yorkshire Railway Company had recently built 30-ton waggons for merchandise traffic, and Sir George Armytage, the chairman, stated in February last that, so great had been the success for certain classes of traffic that they had ordered fifty more to be built.

The North Eastern Railway Company having recently constructed hoppered coal trucks of a carrying capacity of 32 tons, had still more recently constructed fifty similar trucks with a carrying capacity of 40 tons. Accordingly, the directors' objection to large waggons appeared to the shareholders' committee to be founded on conceptions which experience had begun to displace.

The committee concluded by stating that a great improvement could be made with the existing waggons by increasing the train load. Upon the use of larger waggons, however, depends the more effective increase of the train load, and all the resultant economy to capital and revenue. Larger waggons will enable traffic to be carried in as few trains as possible, thereby reducing the unnecessary congestion of trains which in the past has involved heavy capital outlay upon widenings; will diminish the number of loco-

motives needed to move the smaller number of trains, thus effecting further savings of capital and revenue; will reduce the wear and tear of the rolling stock, and of the road-bed, thus reducing the cost of maintenance; and will secure that the traffic can be worked with a smaller staff, which will reduce the wages bill. For all these reasons we must continue to urge this reform upon your consideration.

The most important matter which had been under consideration was that having reference to railway accounts and finance. The board having had in their hands for a month a formal communication on the subject, deliberately replied in such a manner as cannot fail to meet with universal condemnation, seeing that the startling pronouncement had emanated from the board-room of the best conducted railway company in Britain. The committee having merely stated in the first instance in general terms that the method of accounts in use in America was much more detailed and thorough than has hitherto been followed in England, and that the American method, by enabling the causes of loss and gain to be located with accuracy, affords a valuable guide to the administration and management of the line, received the reply of the

board expressed in the following unsatisfactory words :—

With regard to the American system of publishing accounts, we are of opinion that no good result would be obtained by the shewing of accounts other than those which are published half-yearly, in the form prescribed by legislation. There appears to be an unfounded belief that the information of the directors as to the working of the undertaking is limited to the information contained in the half-yearly accounts, and that they have no means of testing the economy and efficiency of working beyond the figures which appear in this account. We need hardly tell you that this is not the case, and that, although the English companies do not prepare statistics applicable to the whole line upon the elaborate basis of the American accounts, yet all the information which is desirable or necessary is available and utilised for testing the working of their systems.

The absolute worthlessness of British railway accounts and statistics, on account of the improper secrecy, and suppression of truth, which is maintained throughout them, and their general inadequacy is universally admitted and recognised by all those railway experts and authorities

on both sides of the Atlantic, who have specially studied and written upon them. All these writers have unequivocally declared that these defects represent the most objectionable blemishes and evils, which tarnish British railway management. The views of the North Western board being thus so utterly at variance with those which are popularly held by the entire railway world, it is satisfactory to find, that the shareholders' committee dealt vigorously with this vital matter in their reply to the board, which was as follows :—

Your statistics, though in your opinion as complete as is necessary, are admittedly not as detailed as those in use in America. But this in itself is an admission of serious importance, first because American authorities hold that those very statistics have contributed to securing great results and to maintaining their high profits; and, secondly, because the American system of statistics is now being introduced into this country by the boards of the more progressive railway companies here. We are naturally anxious that our company should not fall behind other companies in this country in a matter so vital to the most efficient management. It is unnecessary to show by any elaborate argument

that detailed information as to receipts and costs in any business is essential to good management.

From an examination of the accounts it appears that, excluding from expenses rates and taxes as matter largely beyond the immediate control of the company, the ratio of expenses to gross earnings in 1870 was 44·16 per cent. In the accounts most recently available that figure has risen to 59·33 per cent. To put the matter in another light, in 1870, out of every 20s. received by the company it spent 8s. 10d. Now out of every 20s. received it spends 11s. 10d. There is a rise of 3s. in expenses for every £1 of receipts. Hence the overwhelming need, in the case of the London and North Western railway, for scrutinising every detail of the working by means of the most accurate and precise statistics, so as to accurately locate the causes of loss, and discover exactly in what section of the line, in what classes of traffic, in what methods of handling it, and in what division or sub-division of management those causes arise. Until this is done no effective remedies can be applied or economies introduced; and only when it is done will it be possible to combat this alarming rise in the ratio of expenses to earnings, to eliminate every wasteful process, to develop every means

of profit to the utmost, and to accomplish the task of giving, in proportion to the growing density of your traffic, a steadily improved service to the public and a steadily increased dividend to the shareholders.

Upon the question of statistics we will presume to add that not only should these statistics exist in your office for daily use, but they should be published yearly with your accounts. Such a course would substitute a healthy and useful competition for that unhealthy and mischievous competition now in vogue. Instead of competing to snatch half a ton of traffic from a rival, general managers would have to compete in the efficiency of loading their trains and handling their traffic. If every year a comparison could be instituted between railways in respect of these vital matters of good management, the shareholders would not only cease to be left in the dark as to the practical management of their property, but would reap the benefit of such a competition in increased dividends. For these reasons we view with grave anxiety, on the one hand, your disinclination for more exact figures which are the instrument of true economy, and, on the other, your vast and apparently endless capital expenditure, upon the desirability of

which the shareholders have hitherto been in a position to place no check.

In conclusion, we beg leave to say that, while our first concern is with our own property and the increase of our dividends, no improvement in these respects can take place without a corresponding benefit to the public, in a better railway service and a more equal distribution of its advantages. Nor does the question we have opened stop at the premier railway of England, or the example it could set before all other companies. Railway transport affects every industry, and its reform is of the first importonce to the commercial prosperity of the country.

This important document was subscribed by the following members of the shareholders' committee, viz. :—W. Burdett-Coutts, Esq., M.P., Lord Brassey, The Hon. George Peel, Nathaniel Spens, Esq., Richard Green, Esq., and Sir John Gilmour, Bart.

Having regard to the marvellous rapidity with which improvements and startling inventions, affecting railway enterprise in every direction, now follow each other, it is strange indeed at this late hour to find, that the principal officers of such a line as the North Western, being the leading railway of the Kingdom, should thus

have declared themselves to be the most strenuous opponents to important and necessary reforms, the advocacy of which was so stoutly maintained by their shareholders' committee.

It is far more surprising that the same company should also persistently oppose the introduction of automatic couplings on English railways; notwithstanding the pecuniary and humane advantages and benefits, which the shareholders, and employés of American railways, and the people themselves, are clearly proved to have derived from their adoption in America.

The economies which would be effected in working with automatic couplings, are clearly proved to be far in excess of what the interest on the cost of equipment would amount to; the British public on the whole, are keenly interested as to the safety of their railway servants; the railway companies, and waggon owners, profess to be eager as to the improvement of their coupling arrangements; declaring that the cost of fitting shall not stand in the way, or delay their equipment; whilst the main difficulty is that of selecting, from hundreds of inventions, that coupling which is most suitable for application, on all the existing waggon stock of the companies and private owners.

The Board of Trade consider that the selection of the best coupler is a matter in which they are not concerned ; and they, Macawber-like, are still looking heavenward or in some other direction, in expectation of, and waiting for, the waggon to turn up, properly coupled for them ; whilst death snatches its hundreds, and the hospitals their thousands, of victims annually, bereaved wives and fatherless children meanwhile being plunged in suffering and despair.

At the end of this volume will be found illustrated descriptions of several good automatic couplings, in the language used by the inventors, and upon which the author does not venture to express any opinion whatever. They are introduced solely for the information of the reader.

APPENDIX.

LIST OF THE DIRECTORS OF THE EIGHT PRINCIPAL ENGLISH RAILWAYS REFERRED TO IN THIS WORK.

NOTE.—The director against whose name an asterisk * is prefixed has only one seat on a railway board, and is not concerned officially in the management of any other public company. There are 24 such directors in this list.

Every other director has two or more seats on railway or other boards of direction.

Where a number is prefixed to the name of a director, it indicates the number of seats on boards which are held by that director. This observation applies only to such directors as hold five or more seats on such boards. They are 31 in number, constituting one quarter of the whole number of directors of the eight Companies.

* The Duke of SUTHERLAND, Stafford House, St. James' London, S.W.

* Earl CAWDOR, Pembroke.

* The Earl of CORK, Frome.

The Right Hon. Earl GREY, Howick Lesbury, Northumberland.

The Right Hon. Lord BELPER, Kingston Hall, near Derby.

6 Lord EUSTACE GASCOYNE CECIL, 111, Eaton Square, S.W., and Lytchett Heath, Poole, Dorset.

5 The Right Hon. Lord COLVILLE OF CULROSS, K.T., 42, Eaton Place, S.W.

5 The Right Hon. Lord COTTESLOE, 43, Eaton Square, S.W.

* The Right Hon. Lord DE RAMSEY, Ramsey Abbey, Huntingdonshire, and Haverland Hall, Norwich.

9 The Viscount DUNCANNON, C.B., 17, Cavendish Square, W.

6 The Right Hon. Lord FARRER, Abinger Hall, Dorking.

6 Lord CLAUD JOHN HAMILTON, 4, Hans Mansions, Basil Street, S.W.

The Lord HENRY NEVILL, Eridge Castle, Tunbridge Wells.

9 The Rt. Hon. Lord RATHMORE, The Oaks, Wimbledon, S.W.

The Right Hon. Viscount RIDLEY, M.P., Blagdon, Northumberland.

The Right Hon. Lord STALBRIDGE, 32, Queensborough Terrace, Bayswater, W.

ROBERT A. ALLISON, M.P., Scaleby Hall, Carlisle.

ALFRED BALDWIN, Esq., M.P., Stourport.

Right Hon. WM. W. B. BEACH, M.P., Oakley Hall, Basingstoke, Hants.

ALBERT BRASSEY, Esq., M.P., Chipping Norton.

6 The Hon. REGINALD A. CAPEL, Money Hill, Rickmansworth.

The Hon. CECIL DUNCOMBE, Nawton Grange, York.

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* Sir EDWARD GREY, Bart., M.P., Falloden, Northumberland.

Sir WM. HENRY HOULDSWORTH, Bart., M.P., 49, Spring Gardens, Manchester.

The Hon. A. H. HOLLAND-HIBBERT, Munden, near Watford, Herts.

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* Sir JOHN T. D. LLEWELLYN, Bart, M.P , Swansea.

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The Right Hon. WALTER H. LONG, M.P., Trowbridge.

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The Right Hon. WM. G. E. MACARTNEY, M.P., Clogher Park, Clogher, co. Tyrone.

5 DAVID MCIVER, Esq., M.P., Liverpool.

Sir F. T. MAPPIN, Bart., M.P., Thornbury, Sheffield.

* Sir H. M. MEYSEY-THOMPSON, Bart., M.P., Kirby Hall, York.

Sir JOSEPH W. PEASE, Bart., M.P., Hutton Hall, Guisborough.

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* The Right Hon. JOHN L. WHARTON, M.P., Bramham, Boston Spa, R.S.O.

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Sir WM. HENRY WILLS, Bart., M.P., Bristol.

* Rear-Admiral The Hon. THOMAS SEYMOUR BRAND, Glynde Sussex.

5 Lt.-Colonel The Hon. HENRY WALTER CAMPBELL, 44, Charles Street, Berkeley Square, W.

Colonel The Hon. CHARLES E. EDGCUMBE, Plymouth.

Colonel Sir R. NIGEL F. KINGSCOTE, K.C.B., Wotton-under-Edge.

Brigr.-General LEWIS VIVIAN LOYD, 55, Egerton Gardens, London, S.W.

Colonel WM. THOMAS MAKINS, 1, Lowther Gardens, Princes Gate, S.W. and Rotherfield Court, Henley-on-Thames

Sir LOWTHIAN BELL, Bart, Rounton Grange, Northallerton.

* Sir WM. BIRT, The Hermitage, Snaresbrook, Essex.

5 Sir THOMAS BROOKE, Bart, Armitage Bridge, near Huddersfield.

9 Sir DAVID DALE, Bart., West Lodge, Darlington.

* Sir ANDREW FAIRBAIRN, Askham Grange, York, and 39, Portland Place, W.

5 Sir FRANCIS KNOLLYS, K.C.M.G., K.C.B., Marlborough House, S.W.

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The Right Hon. Sir MASSEY LOPES, Bart., Plymouth.

Sir HENRY OAKLEY, 37, Chester Terrace, Regent's Park, N.W.

The Right Hon. Sir ARTHUR OTWAY, Bart., 34, Eaton Square, S.W.

8 Sir ERNEST PAGET, Bart., Sutton, Bonington, Loughborough.

Sir WYNDHAM PORTAL, Bart., Malshanger, Basingstoke, Hants.

8 Sir ALLEN SABLE, Green Hayes, Banstead.

Sir CHARLES SCOTTER, Surbiton Hill Park, Surrey.

6 Sir HENRY WHATLEY TYLER, Linden House, Highgate Road, N.W.

Sir HENRY WIGGIN, Bart., Metchley Grange, Harborne, near Birmingham.

Sir H. L. WATKIN WILLIAMS-WYNN, Bart., Raubon.

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5 JOHN BATESON, Esq., J.P., Emsworth, Wavertree, Liverpool.

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6 ALFRED FLETCHER, Esq., J.P., Allerton, Liverpool.

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WM. CRESSWELL GRAY, Esq., J.P., Tunstall Manor, West Hartlepool.

T. J. HARE, Esq., J.P., Lyne Grove, Virginia Water, Surrey.

6 WILLIAM UNWIN HEYGATE, Esq., J.P., Roecliffe, Loughborough.

6 H. TYLSTON HODGSON, Esq., J.P., Harpenden, Herts.

6 ALEXANDER HUBBARD, Esq., J.P., Ealing.

Sir JAMES LAING, J.P., Thornhill, Sunderland.

MILES MCINNES, Esq., J.P., Rickerby, Carlisle.

6 JOSH. TRUEMAN MILLS, Esq., J.P., Stockgrove, Leighton Buzzard.

CHARLES MORTIMER, Esq., J.P., Wigmore, Capel, Surrey.

9 CHARLES GREY MOTT, Esq., J.P., Harrow Weald, Middlesex.

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HENRY TENNANT, Esq., J.P., Holgate Hill House, York.

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HENRY WARD, Esq., J.P., Rodbaston, Penkridge, Stafford.

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ARTHUR WILSON, Esq., J.P., Tranby Croft, Hull.

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RALPH BROCKLEBANK, Esq., Haughton Hall, Tarporley.

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EDWARD COWARD, Esq., Heather Lea, Bowdon, Cheshire.

WM. EDWARD DORRINGTON, Esq., 101, Portland Street, Manchester.

HUGH WILLIAMS DRUMMOND, Esq., Syon House, East Budleigh, Devon.

EDMUND BECKETT FABER, Esq., The Old Bank, Leeds.

A. FREDK. GOVETT, Esq., Laleham, Staines, and 18, Albert Hall Mansions, S.W.

* WILLIAM HENRY HODGES, Esq., Derby.

FREDK. J. MACAULAY, Esq., Averstoke, North Side, Clapham Common, S.W.

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* JAMES WALKER OXLEY, Esq., Spenfield, Weetwood, near Leeds.

S. EARNEST PALMER, Esq., 10, Grosvenor Crescent, S.W.

* JOHN WM. PEASE, Esq., Pendower, Newcastle-on-Tyne.

5 LESLEY CHARLES PROBYN, Esq., 79, Onslow Square, S.W.

WALTER ROBINSON, Esq., London.

ARCHD. SCOTT, Esq., South Bank, Surbiton, Surrey.

Brighton Railway Company.

Dividends paid on the Deferred Stock between the years 1875 and 1901 :—

Year.	Rate.	Amount.
1875	4 per cent.	£39,881
1876	4	52,274
1877	5¼	74,436
1878	6½	99,275
1879	6	94,488
1880	7	119,041
1881	5½	95,241
1882	2¾	49,403
1883	3	56,803
1884	3	64,135
1885	2¾	60,346
1886	4¼	96,085
1887	5	117,555
1888	5¼	124,678
1889	8½	202,019
1890	8	197,882
1891	7	173,339
1892	7	173,493
1893	5¼	146,559
1894	6	153,177
1895	6	154,209
1896	6¾	174,212
1897	7	182,190
1898	6¾	178,253
1899	6½	175,333
1900	4¼	116,077
1901	3½	96,491

FORMS OF ACCOUNTS directed by The Regulation of Railways Act, 1868, Section 3, to be prepared and printed and issued to the Shareholders prior to each Half-Yearly Meeting of the Company being held.

[No. 9.]

Dr. REVENUE ACCOUNT. *Cr.*

Half-Year end'd	EXPENDITURE.	£ s. d.	Half-Year end'd	RECEIPTS.	£ s. d.	£ s. d.
	To maintenance of Way, Works, and Stations ... See Abstract A.			By Passengers ...		
	„ Locomotive Power ... do. B.			„ Parcels, Horses, Carriages, &c. ...		
	„ Carriage and Waggon Repairs ... do. C.			„ Mails		
	„ Traffic Expenses ... do. D.			„ Merchandise ...		
	„ General charges ... do. E.			„ Live Stock ...		
	„ Law charges ...			„ Minerals ...		
	„ Parliamentary Expenses			„ Special and Miscellaneous Receipt— *Such as Navigations, Steamboats, Rents, Transfer Fees, &c.*		
	„ Compensation (Accidents and Losses) ...			*Details,*		
	„ Rates and Taxes ...					
	„ Government Duty ...					
	„ Special and Miscellaneous					
	„ Expenses (if any) ...					
	" Balance carried to Net Revenue Account ...					
						£

[No. 12.] ABSTRACT.

A Maintenance of Way, Works, &c.

Half-Year ended.		£ s. d.	£ s. d.
	Salaries, Office Expenses, and General Superintendence		
	Maintenance and Renewal of Permanent Way		
	Wages		
	Materials		
	Repairs of Roads, Bridges, Signals and Works		
	Repairs of Stations and Buildings ...		
	Special Expenditure (if any)... ...		
	MILES MAINTAINED		
	Double		
	Single		
	Total		
	Total ...		

B. Locomotive Power.

Half Year ended.		£ s. d.	£ s. d.
	Salaries, Office Expenses and General Superintendence		
	RUNNING EXPENSES :—		
	Wages connected with the working of Locomotive Engines		
	Coal and Coke		
	Water		
	Oil, Tallow, and other Stores ...		
	REPAIRS AND RENEWALS :—		
	Wages		
	Materials		
	Special Expenditure		
	£		

C. Repairs and Renewals of Carriages and Waggons.

Half Year ended.		£ s. d.	£ s. d.
	CARRIAGES :—		
	Salaries, Office Expenses and General Superintendence ...		
	Wages		
	Materials		
	WAGGONS :—		
	Salaries, Office Expenses and General Superintendence... ...		
	Wages		
	Materials		
	Total... ...		

[No. 4.]

Receipts and Expenditure on Capital Account.

Dr. *Cr.*

	Amount Expended to	Amount Expended during Half Year.	Total.		Amount Received to	Amount Received during Half Year.	Total.
	£ s. d.	£ s. d.	£ s. d.		£ s. d.	£ s. d.	£ s. d.
To Expenditure—				By Receipts—			
On Lines open for Traffic (No. 5.) ...				Shares and Stock, per Account No. 2 ...			
On Lines in course of construction (No. 5) ...				Loans, per Account No. 3 ...			
Working Stock (No. 5)				Debenture Stock, per Account No. 3 ...			
Subscriptions to other Railways (No. 5)				Sundries (in detail) ...			
Docks, Steamboats, and other special Items (No. 5)							
To Balance ...							

[No. 13.]

Dr. GENERAL BALANCE SHEET. *Cr.*

	£ s. d.		£ s. d.
To Capital Account, Balance at Credit thereof, as per Account No. 4 ...		By Cash at Bankers —Current Account	
„ Net Revenue Account, Balance at Credit thereof, as per Account No. 10		„ Cash on Deposit at Interest ...	
„ Unpaid Dividends and Interest		„ Cash invested in Consols and Government Securities	
„ Guaranteed Dividends and Interest payable or accruing and provided for		„ Cash invested in Shares of other Railway Companies not charged as Capital Expenditure	
„ Temporary Loans		„ General Stores—Stock of Materials on hand	
„ Lloyd's Bonds and other obligations not included in Loan Capital Statement, No. 3 ...		„ Traffic Accounts due to the Company	
„ Balance due to Bankers		„ Amounts due by other Companies...	
„ Debts due to other Companies ...		„ Amounts due by Clearing House ...	
„ Amount due to Clearing House ...		„ Amounts due by Post Office ...	
„ Sundry Outstanding Accounts ...		„ Sundry Outstanding Accounts ...	
„ Fire Insurance Fund on Stations, Works and Buildings		„ Suspense Accounts (if any) *to be enumerated* ...	
„ Insurance Fund on Steamboats ...		„ Special Items ...	
Special Items ...			
£		£	

BRIGHTON RAILWAY.

STATEMENT of Capital Expenditure on Rolling Stock, Machinery, &c., for the years 1873 to 1900 inclusive.

Year.	Engines.	Coaching and Merchandize.	Machinery, &c.
	£	£	£
1873	38,880	30,566	5,063
1874	41,840	40,805	2,298
1875	30,800	58,062	—
1876	36,400	106,320	1,658
1877	42,300	55,576	2,795
1878	40,200	72,238	6,235
1879	42,500	95,265	3,159
1880	37,800	217,867	15,170
1881	67,765	182,312	17,816
1882	48,880	44,616	3,168
1883	29,023	7,748	887
1884	—	6,336	—
1885	—	2,859	—
1886	—	2,687	—
1887	—	2,388	—
1888	—	2,154	—
1889	—	3,450	—
1890	—	7,936	—
1891	—	14,212	—
1892	16,347	6,573	864
1893	35,492	4,658	395
1894	27,242	5,086	421
1895	11,403	102,808	—
1896	12,473	27,603	—
1897	9,051	44,477	475
1898	9,168	75,621	3,875
1899	—	13,894	902
1900	71,769	140,696	5,508
	649,333	1,374,813	70,689
			1,374,813
			649,333
	Sundry	other items ...	3,040
			£2,097,875

GENERAL SUMMARY.

1873 to 1882	£1,388,354
1883 to 1892	103,464
1893 to 1900	603,017
Sundries	3,040
	£2,097,875

THE RAILWAY COMPANIES ACT, 1867,

SECTION 30.

S. 30. Audit of Railway Accounts.

30. No dividend shall be declared by a company until the auditors have certified that the half-yearly accounts proposed to be issued contain a full and true statement of the financial condition of the company, and that the dividend proposed to be declared on any shares is *bonâ fide* due thereon after charging the revenue of the half-year with all expenses which ought to be paid thereout in the judgment of the auditors; but if the directors differ from the judgment of the auditors with respect to the payment of any such expenses out of the revenue of the half-year, such difference shall, if the directors desire it, be stated in the report to the shareholders, and the company in general meeting may decide thereon, subject to all the provisions of the law then existing, and such decision shall for the purposes of the dividend be final and binding; but if no such difference is stated, or if no decision is given on any such difference, the judgment of the auditors shall be final and binding; and the auditors may examine the

books of the company at all reasonable times and may call for such further accounts, and such vouchers, papers, and information as they think fit, and the directors and officers of the company shall produce and give the same as far as they can, and the auditors may refuse to certify as aforesaid until they have received the same ; and the auditors may at any time add to their certificate, or issue to the shareholders independently at the cost of the company, any statement respecting the financial condition and prospects of the company which they think material for the information of the shareholders.

BRIGHTON RAILWAY COMPANY.

STATEMENT OF AMOUNTS CHARGED TO CAPITAL ACCOUNT IN OPPOSITION TO THE OPINIONS OF THE ACCOUNTANTS AND AUDITORS THAT THE SAME WERE REVENUE CHARGES.

24th January, 1868. — The professional accountants called attention to two sums of expenditure on abandoned lines of the company which they considered objectionable, adding that "with the exception of materials of trifling value "there will be nothing, if the construction of the "lines be not hereafter resumed, to represent "this outlay and they will in our opinion be "properly revenue charges." — *From the Professional Accountants' Report.*

"15th July, 1868.—We desire, however, to "draw attention to two items in the balance "sheet. Amongst the sums due by other "companies, is an amount of £25,171. 2s. 3d. "due by the London, Chatham and Dover "Railway, which will be registered in the Court "of Chancery, as a claim against that company; "this is taken as a good asset, although it is "doubtful whether it can be considered as such. "There is also included among the assets, as in

"the last, and in some previous half-years'
"accounts, a sum of £69,195. 2s. 1d. as 'Permanent
"'Way Improvement Account.' This sum
"represents expenditure incurred some years
"back, in the renewal of the permanent way.
"Provision should be made for its extinction."
From the Professional Accountants' Report.

"20th January, 1869. — The sum of
"£69,195 2s. 1d. hitherto appearing in the
"balance sheet as an asset, termed Permanent
"Way Improvement Account, has been charged
"to capital, in accordance with a resolution of
"the last half-yearly general meeting."—*From*
"*the Auditors' Report.*

"19th January, 1871.—We are of opinion that
"the loss on the account with the London,
"Chatham and Dover Railway Company, under
"the award of the Arbitrators estimated at
"£20,750, is a charge against revenue."—*From the Report signed by the Auditors and Professional Accountants.*

"18th January, 1871.—As arranged with the
"Auditors, a special resolution will be moved for
"charging to capital, a loss which will ensue on
"this company's Account with the London,
"Chatham and Dover Railway Company. This
"comes within the same principle upon which

" the directors have acted, with the sanction of " the Proprietors, of drawing a line on the acces- " sion to office of the present board, in 1867, " before which all dividends improperly paid out " of capital, were to be treated as bygones, and " no attempt made to rectify the accounts, by " keeping the ordinary shareholders out of " dividends. A sum of £33,750, assumed to be " due by the Chatham Company, was divided in " dividend prior to 1867, although it had never " been received, and the exact loss could not be " ascertained until recently, owing to the " unsettled state of the Chatham Company's " affairs. The result of the first award of the " arbitrators, under the Chatham Act, has been " to give this Company stock at the present " market value about £13,000, in respect of " £28,750 of this debt, which is practically " the recovery of about 9s. in the £, on a " debt of doubtful realization. By writing off " the balance to capital, no additional charge will " fall on the Company, either for interest or " dividend."—*From the Directors' Report.*

" 12th January, 1880.—In addition to the " regular net revenue of the half year a profit of " £20,846 has accrued from the sale, at an " increased value of the Company's stock of old

"rails. As these rails had been written down "out of revenue, this is a legitimate profit; but "as it is of an exceptional nature, it is thought "more prudent not to use it all for the purpose "of adding to the dividend of one particular "half year, but to take advantage of it for the "purpose of augmenting the insurance fund "against losses from fire or compensation for "accidents. These are always of an uncertain "amount, and although the risk of accidents has "been greatly diminished by the adoption of "the block system and other improvements, it is "always possible that in some half-year the "amount of compensation might be exceptionally "large, so as to disturb the reasonable expectation "of dividend based on the traffic."—*From the Directors' Report.*

SUMMARY OF AMOUNTS CHARGEABLE TO REVENUE.

Losses by lines abandoned	£227,061
London, Chatham and Dover debt ...	25,171
Permanent Way Improvement ...	69,185
Loss under Chatham Award	20,750
Proceeds of *old rails improperly treated* as profit	20,846
Loss by disappearance of rolling stock	193,097
	£556,110

THE BRIGHTON RAILWAY COMPANY. *Statement of Accounts to 31st December, 1900, as published.*

Dr. **No. 4.—RECEIPTS AND EXPENDITURE ON CAPITAL ACCOUNT.** *Cr.*

To EXPENDITURE—	Total to 31st December, 1900. £	s.	d.
On Lines and Works open for Traffic	24,061,103	0	2
On Lines abandoned, under Company's Act, 1868	216,400	4	7
On West Sussex Junction Line ...	10,361	7	4
On Working Stock, Machinery, and Tools	3,182,107	15	4
On Steam Boats and Dredgers ...	299,228	10	11
	£27,769,200	18	4

By RECEIPTS—	Total to 31st December, 1900. £	s.	d.
Shares and Stock, per Account No. 2—			
Undivided Ordinary Stock	3,235,013	8	0
Preferred do.	2,731,230	0	0
Deferred do.	2,731,230	0	0
Consolidated Guaranteed Five per cent. Stock	1,955,860	0	0
Consolidated Preference Five per cent. Stock	6,190,315	0	0
Second Consolidated Preference Five per cent. Stock	2,282,000	0	0
Ordinary Stock created 24th January, 1900	312,702	5	3
	19,438,350	13	3
Add Nominal reduction of Capital, on Consolidation of Stocks per Account No. 2	201,825	0	0
	19,640,175	13	3
Add Premium, less Discount and Commission	473,051	5	7
	20,113,226	18	10
Debenture Stocks	6,156,509	6	8
Add Premium on sale of 4½ per cent. Debenture Stock	426,312	15	7
	26,696,049	1	1
Balance	1,073,151	17	3
	£27,769,200	18	4

THE BRIGHTON RAILWAY COMPANY—Continued.

Accounts to 31st December, 1900, as published.

Dr. No. 13—GENERAL BALANCE SHEET. *Cr.*

	£	s.	d.		£	s.	d.
To Net Revenue Account, Balance at Credit thereof, as per Account No. 10	602,575	9	7	By Capital account, balance at debit thereof, as per Account No. 4	1,073,151	17	3
" Dividend reserved on Deferred Ordinary Stock on 30th June last	6,828	1	6	" Cash at Bankers—Current Account ...	44,484	11	7
" Unpaid Dividends and Interest ...	29,334	13	10	" Cash on Deposit at Interest	285,931	4	9
" Guaranteed Dividends and Interest payable or accruing and provided for ...	128,493	13	2	" General Stores—Stock of Materials on hand	290,093	13	6
" Debts due to other Companies	122,277	11	5	" Traffic Accounts due to the Company	163,878	15	0
" Sundry outstanding Accounts	277,356	14	2	" Amounts due by other Companies ...	16,585	19	11
" General Insurance Fund	26,972	11	9	" Sundry Outstanding Accounts... ...	51,789	8	6
" Reserve Fund for Renewal & Insurance of Steamboats	97,706	12	4				
" Benevolent and Pension Funds... ...	425,835	5	7				
" Provident Institution in the nature of a Savings Bank	208,534	17	2				
	£1,925,915	10	6		£1,925,915	10	6

Brighton Railway Company.

Comparative Statement as to Passenger Traffic of the year 1871, when the proportion which working expenses bore to gross revenue was 46 per cent., with the year 1900, when such proportion was 58¾ per cent.

Year 1871.

In 1871 the numbers of Passengers carried were as under:—

First class	...	2,079,514	
Second class	...	2,978,321	
		5,057,835	= 24 per cent.
Third class	...	16,320,136	= 76 „
Total number...		21,377,971	

The amounts of the Passenger Fares were :—

First class	...	£256,043	
Second Class	...	247,353	
		503,396	= 58 per cent.
Third class	...	372,931	= 42 „
		£876,327	

Year 1900.

In 1900 the numbers of Passengers carried were :—

First class	...	1,852,561	
Second class	...	3,881,043	
		5,733,604	= 10 per cent.
Third class	...	50,036,401	= 90 „
Total number...		55,770,005	

The amounts of the Passenger Fares were :—

First class	...	£221,564	
Second class	...	242,048	
		463,612	= 26 per cent.
Third class	...	1,302,620	= 74 „
		£1,766,232	

No. 1. MIDLAND RAILWAY COMPANY.

STATEMENT of Accounts to 31st December, 1900.

ACTS OF PARLIAMENT.	CAPITAL AUTHORISED.								
	Stock and Shares.			Loans.			Total.		
	£	s.	d.	£	s.	d.	£	s.	d.
Additional Powers, 1885-6 Capital Consolidated	63,545,567	0	6	18,452,475	13	8	81,998,042	14	2
Ditto Powers, 1884 ...	—			400,000	0	0	400,000	0	0
Dore and Chinley, 1885 ...	100,000	0	0	—			100,000	0	0
Additional Powers, 1885 ...	600,000	0	0	200,000	0	0	800,000	0	0
Ditto 1888 ...	300,000	0	0	100,000	0	0	400,000	0	0
Ditto 1888 ...	900,000	0	0	—			900,000	0	0
Transfer of Dore and Chinley Powers									
Ditto 1889 ...	1,000,000	0	0	333,000	0	0	1,333,000	0	0
Ditto 1889 & 1891, Redemption of Somerset and Dorset Stocks	—			2,190,000	0	0	2,190,000	0	
Additional Powers, 1889 ...	551,270	0	0	332,998	10	0	884,268	10	
Transfer of Western Sections of Eastern and Midlands Railway									
Cheshire Lines, 1889 ...	100,000	0	0	33,000	0	0	133,000	0	
Additional Powers, 1890 ...	1,500,000	0	0	500,000	0	0	2,000,000	0	
Midland Railway, 1891 ...	720,000	0	0	240,000	0	0	960,000	0	
Ditto 1892 ...	1,800,000	0	0	600,000	0	0	2,400,000	0	
Ditto 1893 ...	900,000	0	0	300,000	0	0	1,200,000	0	
Ditto 1894 ...	600,000	0	0	200,000	0	0	800,000	0	
Ditto 1895 ...	325,000	0	0	108,333	0	0	433,333	0	
Forward ...	72,941,837	0	6	23,982,807	3	8	96,931,644	4	2

No. 1. MIDLAND RAILWAY COMPANY—Continued.

STATEMENT of Accounts to 31st December, 1900.

ACTS OF PARLIAMENT.	CAPITAL AUTHORISED.								
	Stocks and Shares.			Loans.			Total.		
	£	s.	d.	£	s.	d.	£	s.	d.
Brought forward ..	72,941,837	0	6	23,989,807	3	8	96,931,644	4	2
lidland Railway 1896 ...	600,000	0	0	200,000	0	0	800,000	0	0
Do. 1897 ...	960,000	0	0	320,000	0	0	1,280,000	0	0
Do. 1897 ... (Kettering, Thrapston, and Huntingdon Railway Vesting)	367,500	0	0	113,400	0	0	480,900	0	0
lidland Railway 1898 ...	1,500,000	0	0	500,000	0	0	2,000,000	0	0
Ditto 1898 ... (West Riding Lines)	2,100,000	0	0	700,000	0	0	2,800,000	0	0
idland Railway 1899 ...	2,100,000	0	0	700,000	0	0	2,800,000	0	0
Ditto 1900 ...	1,800,000	0	0	600,000	0	0	2,400,000	0	0
ortpatrick and Wigtownshire Railways Transfer, 1885	—			40,177	1	8	40,177	1	8
	82,369,337	0	6	27,163,384	5	4	109,532,721	5	10
ominal additions to Capital Act of 1889 :— Debenture Stock at 4 per cent. converted into 3 per cent.	—			5,862,835	15	6	5,862,835	15	6
ct of 1897 :— Ordinary Stock converted into Preferred and Deferred Stocks	35,434,947	8	0	—			35,434,947	8	0
Guaranteed, Rent Charge and Sheffield & Rotherham Stocks, consolidated and converted into guaranteed 2½ per cent. Stock	6,366,718	14	6	—			6,366,718	14	6
Preference Stock at 4 per cent. and £11 Shares converted into 2½ per cent. Stock	17,428,915	1	0	—			17,428,915	1	0
Debenture Stock at 3 per cent. converted into 2½ per cent.	—			5,938,352	10	2	5,938,352	10	2
t, 1893	—			60,000	0	0	60,000	0	0
1895	—			1,666	0	0	1,666	0	0
1896	—			40,000	0	0	40,000	0	0
1897	—			64,000	0	0	64,000	0	0
	141,599,918	4	0	39,130,238	11	0	180,730,156	0	0

No. 1. MIDLAND RAILWAY COMPANY—Continued.

STATEMENT of Accounts to 31st December, 1900.

ACTS OF PARLIAMENT.	CAPITAL CREATED OR SANCTIONED.						
	Stocks and Shares.			Loans.			Total.
	£	s.	d.	£	s.	d.	£
Additional Powers 1885–6 Capital Consolidated...	63,545,567	0	6	18,452,475	13	8	81,998,042
Do. 1884				400,000	0	0	400,000
Dore and Chinley 1885 ...	100,000	0	0				100,000
Additional Powers 1885 ...	600,000	0	0	200,000	0	0	800,000
Do. do. 1888 ...	300,000	0	0	100,000	0	0	400,000
Do. do. 1888 ... (Transfer of Dore and Chinley Powers)	900,000	0	0	—			900,000
Midland Railway, 1889 ...	1,000,000	0	0	333,000	0	0	1,333,000
Do. do. 1889 and 1891 Redemption of Somerset and Dorset Stocks	—			2,190,000	0	0	2,190,000
Midland Railway, 1889 ... Transfer of Western Sections of Eastern and Midlands Railway	551,270	0	0	332,998	10	0	884,268
Cheshire Lines 1889 ...	100,000	0	0	33,000	0	0	133,000
Additional Powers 1890 ...	1,500,000	0	0	500,000	0	0	2,000,000
Midland Railway 1891 ...	720,000	0	0	240,000	0	0	960,000
Do. do. 1892 ...	1,800,000	0	0	600,000	0	0	2,400,000
Do. do. 1893 ..	900,000	0	0	300,000	0	0	1,200,000
Do. do. 1894 ...	600,000	0	0	200,000	0	0	800,000
Do. do. 1895 ...	325,000	0	0	108,333	0	0	433,333
Do. do. 1896 ...	600,000	0	0	200,000	0	0	800,000
Do. do. 1897 ...	960,000	0	0	320,000	0	0	1,280,000
Do. do. 1897 ... Kettering, Thrapston and Huntingdon Railway Vesting	367,500	0	0	113,400	0	0	480,900
Midland Railway, 1898 ...	1,500,000	0	0				1,500,000
Do. do. 1898 ... West Riding Lines	2,100,000	0	0	700,000	0	0	2,800,000
Midland Railway, 1899 ...	2,100,000	0	0				2,100,000
Do. do. 1900 ...	—			—			—
Forward ...	80,569,337	0	6	25,323,207	3	8	105,892,544

No. 1. MIDLAND RAILWAY COMPANY—Continued.

STATEMENT of Accounts to 31st December, 1900.

ACTS OF PARLIAMENT.	CAPITAL CREATED OR SANCTIONED.								
	Stocks and Shares.			Loans.			Total.		
	£	s.	d.	£	s.	d.	£	s.	d.
Brought forward ...	80,569,337	0	6	25,323,207	3	8	105,892,544	4	2
ırtpatrick and Wigtownshire Railways Transfer, 1885	—			40,177	1	8	40,177	1	8
	80,569,337	0	6	25,363,384	5	4	105,932,721	5	10
ɔminal Additions to Capital (Act of 1889)									
ebenture Stock at 4 per cent. converted into 3 per cent.	—			5,862,835	15	6	5,862,835	15	6
ɔt of 1897 :—									
Ordinary Stock converted into Preferred and Deferred Stocks ...	35,434,947	8	0	—			35,434,947	8	0
Guaranteed, Rent Charge and Sheffield and Rotherham Stocks consolidated and converted into Guaranteed 2½ per cent. Stock	6,366,718	14	6	—			6,366,718	14	6
Preference Stock at 4 per cent. and £11 Shares converted into 2½ per cent. stock ...	17,428,915	1	0	—			17,428,915	1	0
Debenture Stock at 3 per cent. converted into 2½ per cent. ...	—			5,938,352	10	2	5,938,352	10	2
ɔt, 1893	—			60,000	0	0	60,000	0	0
,, 1895	—			1,666	0	0	1,666	0	0
,, 1896	—			40,000	0	0	40,000	0	0
,, 1897	—			64,000	0	0	64.000	0	0
£	139,799,918	4	0	37,330,238	11	0	177,130,156	15	0

No. 2. MIDLAND RAILWAY COMPANY.

STATEMENT of Accounts to 31st December, 1900. Stock and Share Capital created showing the proportion received.

Description.	Amount created.	On December 31st, 1900.				Amount Unissued.
		Amount received.	Nominal additions.	Discount.	Calls in Arrear.	Total on which Dividend is Payable.	
	£ s. d.	£ s. d.	£ s. d.	£ s. d.		£ s. d.	£ s. d.
Consolidated 2½ per Cent. Perpetual Guaranteed Preferential Stock	16,752,916 12 0	9,164,750 6 1	Act, 1874 1,231,682 11 5 Act, '85, red'ction 10,235 0 0 Act, 1897 6,366,718 14 6	... ...	...	16,752,916 12 0	
Consolidated 2½ per Cent. Perpetual Preference Stock and £11 Shares	47,977,106 16 0	20,771,485 4 5	Act, 1885 3,033,385 5 0 Act, 1897 16,732,506 3 3	389,185 2 11	32	46,926,593 15 7	1,050,513 0 5
	64,730,023 8 0	35,936,235 10 6	27,354,057 14 2	389,185 2 11	32	63,679,510 7 7	1,050,513 0 5 to produce in cash
Consolidated Ordinary Stock, viz., Preferred Converted Ordinary Stock	37,534,947 8 0	38,766,471 9 1	34,664,740 14 2	467,502 8 3	...	37,022,451 7 3	641,142 11 10 to produce in cash
Deferred Converted Ordinary Stock ...	37,534,947 8 0			382,122 14 3	...	37,258,385 18 6	426,617 3 1
TOTAL ... £	139,799,918 4 0	74,702,706 19 7	62,018,798 8 4	1,238,810 5 5	32	137,960,347 13 4	2,118,272 15 4

No. 3. MIDLAND RAILWAY COMPANY.

STATEMENT of Accounts to 31st December, 1900.

Capital raised by Loans and Debenture Stock.

	Loans at 2½ per cent.	Raised by the issue of Debenture Stock at 2½ per cent.	Total raised by Loans and by Debenture Stock.
	£	£ s. d.	£ s. d.
Existing at June 30th, 1900	1,000	35,771,100 7 10	35,772,100 7 10
„ Dec. 31st, 1900	1,000	(*a*)36,003,757 3 10	36,004,757 3 10
Increase	—	232,656 16 0	232,656 16 0

Total amount authorised to be raised by loans and by debenture stock in respect of capital created, as per statement No. 1	37,330,238 11 0
Total amount raised by loans and by debenture stock as above	36,004,757 3 10
Balance being available borrowing powers at December 31st, 1900, including £352,493 2s. 5d., reserved to complete the redemption of the Somerset and Dorset Railway Company's Stocks	£1,325,481 7 2

		£ s. d.
(*a*) Receipts on debenture stock as shown in Table No. 4		24,093,901 9 1
Discount on 2½ per cent. debenture stock ...		140,433 17 3
Nominal addition to capital by conversion of debenture stocks, viz.:—4½ per cent. and 4¼ per cent. into 4 per cent. under Act of 1874	£125,822 0 5	—
4 per cent. into 3 per cent. under Act of 1889 ...	5,862,835 15 6	—
3 per cent. into 2½ per cent. under Act of 1897 ...	5,780,764 1 7	—
		11,769,421 17 6
Total debenture stock as shewn above ...		£36,003,757 3 10

No. 4.—MIDLAND RAILWAY COMPANY.

Statement of Accounts to 31st December, 1900.

Expenditure on Capital Account.

	Amount expended to June 30th, 1900.			Amount expended during half-year to December 31, 1900.			Total.		
To Expenditure :—	£	s.	d.	£	s.	d.	£	s.	d.
On lines open for traffic, (No. 5)	74,575,646	5	11	693,045	15	1	75,268,692	1	0
On lines in course of construction (No. 5)	1,169,718	19	11	215,534	12	9	1,385,253	12	8
On lines not commenced and in abeyance(No.5)	180,335	0	4	28,443	16	0	208,778	16	4
On Working Stock(No.5)	15,953,030	7	7	232,868	13	9	16,185,899	1	4
On subscriptions to other Railways and contributions to Joint Lines viz :—(No. 5)									
Tottenham & Hampstead Junction Railway ...	230,483	0	0	—			230,483	0	0
Cheshire Lines	3,800,491	16	3	—			3,800,491	16	3
Ashby and Nuneaton ...	279,232	2	9	72	3	5	279,304	6	2
Sheffield and Midland...	845,472	3	5	—			845,472	3	5
Bristol Joint Station and Line...	187,595	2	0	—			187,595	2	0
Great Western and Midland, viz :—									
Clifton and Bristol ...	347,794	19	9	514	19	4	348,309	19	1
Bristol Port Railway and Pier	48,924	5	0	—			48,924	5	0
Severn and Wye and Severn Bridge Railway and Berkeley Branch	314,816	17	5	—			314,816	17	5
Swinton & Knottingley	386,279	5	7	—			386,279	5	7
Carlisle Citadel Station Goods Relief Lines ...	163,486	9	7	—			163,486	9	7
Somerset and Dorset ...	444,339	11	8	6,000	0	0	450,339	11	8
Do. for Redemption of Stocks	1,898,605	11	10	1,320	0	0	1,899,925	11	10
GreatMalvern Extension	29,319	4	9				29,319	4	9
Portpatrick & Wigtownshire Railways ...	85,176	10	2	504	1	8	85,680	11	10
London and North Western and Midland Joint Line (Enderby Branch)	24,579	7	5	—			24,579	7	5
Tottenham and Forest Gate Railway Subscription	373,980	0	0	—			373,980	0	0
Midland and Great Northern Joint Lines	1,494,604	0	9	64,904	0	0	1,559,508	0	9
	10,955,180	8	4	73,315	4	5	11,028,495	12	9
	109,900	0	0	—			109,900	0	0
On Purchase of Ashby Canal	102,943,811	2	1	1,243,208	2	0	—		
							£104,187,019	4	1

No. 4.—MIDLAND RAILWAY COMPANY.

STATEMENT of Accounts to 31st December, 1900.

Receipts on Capital Account.

	Amount received to June 30th 1900.	Amount received during half year to December 31st 1900.	Total.
By receipts :—	£ s. d.	£ s. d.	£ s. d.
On Stock and Shares per Account No. 2...	73,413,723 13 7	1,288,983 6 0	74,702,706 19 7
On Loans per Account No. 3 ...	1,000 0 0	—	1,000 0 0
On Debenture Stock per Account No. 3...	22,013,803 0 9	199,383 16 6	24,093,901 9 1
Ditto created and issued for Redemption of Somerset and Dorset Stocks under Powers of the Midland Company's Acts of 1889 & 1891	1,879,394 11 10	1,320 0 0	
On Redemption of Mortgages from July, 1851	30,000 0 0	—	30,000 0 0
On cancelled Shares...	23,873 5 0	—	23,873 5 0
On Premiums on Stock and Shares Sold	4,697,842 1 8	—	4,697,842 1 8
	102,059,636 12 10	1,489,687 2 6	103,549,323 15 4
By Balance	... ...	... ...	637,695 8 9
			£ 104,187,019 4 1

No. 5.—MIDLAND RAILWAY COMPANY.

Statement of Accounts to 31st December, 1900.

Details of Capital Expenditure for half-year ending 31st December 1900.

	Land and Compensation.	Construction of Way and Stations, including Rails, &c.	Law and Parliamentary Charges.	Total.
Lines open for Traffic:	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Colne, Remodelling of Goods Yard, &c. ...	8,062 10 0	105 10 1	602 17 3	8,770 17 4
Bingley and Thwaites, Widening Line ...	919 0 0	20,811 10 1	106 13 6	21,837 3 7
Thackley, Widening Line	*Cr.* 14 8 9	39,679 14 9	337 6 4	40,002 12 4
Leeds, Queen's Hotel Enlargement ...	—	5,536 17 5	—	5,536 17 5
Leeds, Reconstruction of Bridges	—	6,520 8 8	—	6,520 8 8
Waterloo and Stourton Widening Line ...	53 3 0	10,544 19 4	71 11 11	10,669 14 3
Cudworth Loco' Water Supply, &c.... ...	—	1,669 18 11	—	1,669 18 11
Cudworth and Royston, Widening Line ...	730 1 0	17,124 18 1	125 3 2	17,980 2 3
Wath and Darfield, Widening and Extensions	10 5 0	13,522 6 8	—	13,532 11 8
Swinton, Widening Line, &c.	—	2,028 8 11	5 13 4	2,034 2 3
Masboro' to Royston, Widenings	189 18 0	20,090 18 2	30 18 10	20,311 15 0
Masboro', Engine Shed	—	6,410 19 1	—	6,410 19 1
Ecclesall, Engine Shed	—	11,606 13 4	—	11,606 13 4
Dore and Sheffield, Widening Line ...	7,390 3 0	43,107 16 0	531 0 0	51,028 19 0
Beighton and Treeton, Widening Line ...	1,146 9 9	2,908 14 4	92 6 2	4,147 10 3
Liverpool, Sandon Dock, Additional Goods Accommodation...	—	11,391 17 6	—	11,391 17 6
Manchester, New Hotel	2,039 5 8	25,813 13 2	—	27,852 18 10
Manchester, Sale of Land	*Cr*2,472 0 0	—	—	*Cr*2,472 0 0
Haddon, Ventilation of Tunnel	—	1,524 2 4	—	1,524 2 4
Derby, St. Mary's Stables, &c. ...	—	2,291 17 9	—	2,291 17 9
Forward ...	18,054 6 8	242,691 4 7	1,903 10 6	262,649 1 9

No. 5. MIDLAND RAILWAY COMPANY—Continued.

Statement of Accounts to 31st December, 1900.

Details of Capital Expenditure for Half-Year ending 31st December, 1900.

	Land and compensation.			Construction of way and stations including rails, &c.			Law and Parliamentary charges.			Total.		
	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
Brought forward	18,054	6	8	242,691	4	7	1,903	10	6	262,649	1	9
Lines open for traffic :												
Derby, Chaddesden, Sidings	—			6,313	13	0	—			6,313	13	0
Derby Offices ...	—			3,315	0	2	—			3,315	0	2
„ Carriage Storing Shed	—			9,875	6	1	—			9,875	6	1
Derby Enlargement of Workshops ...	—			3,935	12	7	—			3,935	12	7
Burton, Grain Shed, &c.	—			13,168	13	5	—			13,168	13	5
Water Orton, Sidings	—			3,064	10	4	—			3,064	10	4
Castle Bromwich and Water Orton, Widening Line ...	10	10	0	7,392	1	9	—			7,402	11	9
Saltley, Widening Line	—			2,295	19	4	176	8	1	2,472	7	5
Saltley, Extension of Engine Sheds, &c....	—			11,798	10	11	—			11,798	10	11
Washwood Heath, Sidings	—			5,187	2	1	—			5,187	2	1
Birmingham, Lawley Street, additional Goods Accommodation...	—			3,498	4	7	—			3,498	4	7
Lifford, Enlargement of Station	—			2,233	15	5	—			2,233	15	5
Gurnos, Engine Shed	—			3,231	9	0	—			3,231	9	0
Westerleigh Junction Sidings	230	6	3	13,011	7	6	—			13,241	13	9
Bristol, Goods Accommodation	—			2,881	3	1	—			2,881	3	1
Bristol, Lawrence Hill, Widening Bridge...	—			2,740	6	5	—			2,740	6	5
Kirkby, Sidings ...	—			1,923	11	5	—			1,923	11	5
Pye Bridge, New Station	344	0	0	9,877	2	10	—			10,221	2	10
Toton, Sidings	—			14,988	5	7	—			14,988	5	7
Toton, Engine Shed, &c.	—			8,818	18	2	—			8,818	18	2
Trent to Clay Cross, Widenings and Deviations	3,525	6	4	108,900	2	6	662	8	3	113,087	17	1
Forward ...	22,164	9	3	481,142	0	9	2,742	6	10	506,048	16	1

No. 5. Midland Railway Company—Continued.

Statement of Accounts to 31st December, 1900.

Details of Capital Expenditure for Half-Year ending 31st December, 1900.

	Land and compensation.			Construction of ways and stations including rails, &c.			Law and Parliamentary charges.			Total.		
	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
Brought forward	22,164	9	3	481,142	0	9	2,742	6	10	506,048	16	10
Lines open for traffic:												
Nottingham, Mansfield Junction, Sidings	—			2,481	0	9	—			2,481	0	9
Nottingham, Widening Line	6,599	19	7	7,436	19	5	1,979	13	4	16,016	12	4
Nottingham, Sidings	4,638	10	0	6	5	1	354	0	0	4,998	15	1
Nottingham, Stables	—			1,550	0	0	—			1,550	0	0
Mountsorrel Junction, Sidings	—			1,592	7	1	—			1,592	7	1
West Bridge, Fosse Road, Bridge, &c. ...	200	0	0	3,590	10	2	10	4	0	3,800	14	2
Leicester, goods warehouse, &c.	—			14,259	10	11	—			14,259	10	11
Kilby Bridge & Wigston, Widening line.	9,702	16	0	29,335	2	4	771	3	3	39,809	1	7
Melton, new roads ...	4,592	0	0	5,002	11	0	790	19	7	10,385	10	7
Oakham, provender stores	—			9,041	5	11	—			9,041	5	11
Child's Hill, enginemen's lodgings, &c.	—			2,162	8	0	—			2,162	8	0
Child's Hill, carriage storing shed ...	—			12,369	11	8	—			12,369	11	8
Child's Hill, cottages for staff	—			2,171	18	6	—			2,171	18	6
KentishTown,Electric lighting station ...	—			2,644	2	5	—			2,644	2	5
Kentish Town, loco' accommodation ...	—			7,653	6	5	—			7,653	6	5
St. Pancras, goods, &c., accommodation ...	—			2,493	11	6	—			2,493	11	6
Stairfoot & Cudworth Railway	550	0	0	8,931	1	3	76	0	6	9,557	1	9
Gloucester Dock Branch	1,274	0	11	633	14	3	932	7	8	2,840	2	10
Additional Powers Act	—			—			7,547	6	1	7,547	6	1
Minor Statics ...	Cr. 143	9	5	32,728	14	11	1,037	5	2	33,622	10	8
£	49,578	6	4	527,226	2	4	16,241	6	5	693,045	15	1

No. 5. MIDLAND RAILWAY COMPANY—Continued.

STATEMENT of Accounts to 31st December, 1900.

Details of Expenditure for Half-Year ending 31st December, 1900.

	Land and compensation.	Construction of way and stations including rails, &c,	Law and Parliamentary charges.	Total.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Lines in course of Construction:—				
Heysham Branches and Harbour... ...	2,503 7 2	59,192 2 0	751 17 7	62,447 6 9
Camden Town and Kentish Town Widening	*Cr*1,013 1 4	18,977 0 7	102 11 6	18,066 10 9
New Mills and Heaton Mersey Railways...	2,717 3 4	128,304 15 8	586 11 6	131,608 10 6
Grassmore Junction Railway...	—	3,412 4 9	—	3,412 4 9
£	4,207 9 2	209,886 3 0	1,441 0 7	215,534 12 9
Lines not commenced and in abeyance :—				
Royston to Bradford ... ... £	23,294 14 1	2,108 3 6	3,040 18 5	28,443 16 0
Working Stock :—				
Additional Engines...				47,940 0 0
Additional Carriages				107,707 0 1
Additional Wagons...				64,801 11 4
Additional Machinery				9,928 4 5
Continuous Brake Machinery				2,491 17 11
£				232,868 13 9
Subscriptions to other Railways and Contributions of Joint Lines ... ... £				73,315 4 5
Total Expenditure for Half-year as per Account No. 4 ... £				1,243,208 2 0

No. 13. MIDLAND RAILWAY COMPANY.

STATEMENT of Accounts to 31st December, 1900.

Dr. GENERAL BALANCE SHEET. *Cr.*

	£	s.	d.		£	s.	d.
To Net Revenue Account, Balance at Credit thereof, as per account No. 10	1,812,434	17	6	By Capital Account, Balance at Debit thereof, as per account No. 4	637,695	8	9
„ unpaid dividends and interest ...	38,771	6	8	„ Cash at Bankers	476,806	10	0
„ dividend and interest payable ...	428,024	0	7	„ Cash on Deposit at Interest ...	702,249	19	11
„ amount received for debenture stock not yet sealed	33,894	2	6	„ Cash invested in shares of other railway companies, not charged as capital expenditure	154,595	17	11
„ debts due to other companies ...	121,570	5	7	„ general stores—stock of materials on hand	1,702,299	5	1
„ sundry outstanding accounts, including tradesmens accounts	1,851,375	5	8	„ traffic accounts due to the company	1,068.259	8	10
„ fire insurance fund on stations, works and buildings	198,708	2	6	„ amount due by other companies	176,771	7	0
„ superannuation fund	781,262	8	3	„ amount due by clearing house ...	378	14	5
				„ amount due by post office, for carriage of mails	17,176	19	1
				„ sundry outstanding accounts ...	329,806	18	3
£	5,266,040	9	3	£	5,266,040	9	3

CHEAP TRAINS ACT, 1844. 7 & 8 VICT. C. 85.

Section 2. And be it enacted, that whatever may be the rate of divisible profits on any such railway, it shall be lawful for the said Lords Commissioners if they shall think fit, subject to the provisions hereinafter contained, at any time after the expiration of the said term of 21 years, to purchase any such railway with all its hereditaments, stock and appurtenances in the name and on behalf of Her Majesty, upon giving to the said company 3 calendar months notice in writing of their intention, and upon payment of a sum equal to 25 years' purchase of the said annual divisible profits, estimated on the average of the three then next preceding years; provided that if the average rate of profits for the said three years shall be less than the rate of ten pounds in the hundred, it shall be lawful for the company, if they shall be of opinion that the said rate of 25 years' purchase of the said average profits is an inadequate rate of purchase of such railway, reference being had to the prospects thereof, to require that it shall be left to arbitration, in case of difference, to determine what (if any) additional amount of purchase money shall be paid to the said company.

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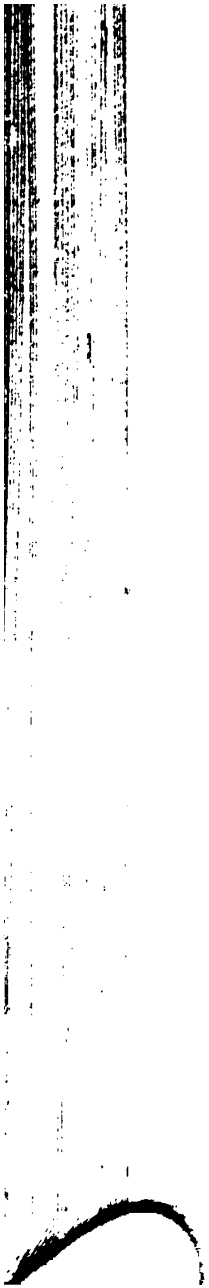

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A FEW AUTOMATIC RAILWAY WAGGON COUPLERS.

(ILLUSTRATED.)

I.

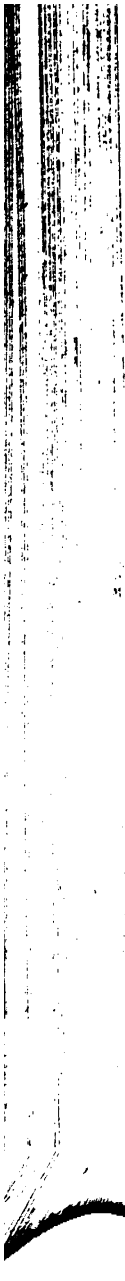
The Brockelbank Automatic Waggon Coupling.

II.

Brooker's Automatic Coupler.

III.

Moon's Automatic Coupler.



ENGLISH COUPLING TRANSFORMED.

The Waggon Coupling Links left untouched, are here awaiting change to Automatic Coupling.

STEP NO. 1.

Meanwhile the gear for Coupling and Uncoupling the Automatic Coupler by hand has been placed in position, without moving a bolt in the waggon underframe or affecting the traffic of to-day.

*

THE AUTOMATIC COUPLING

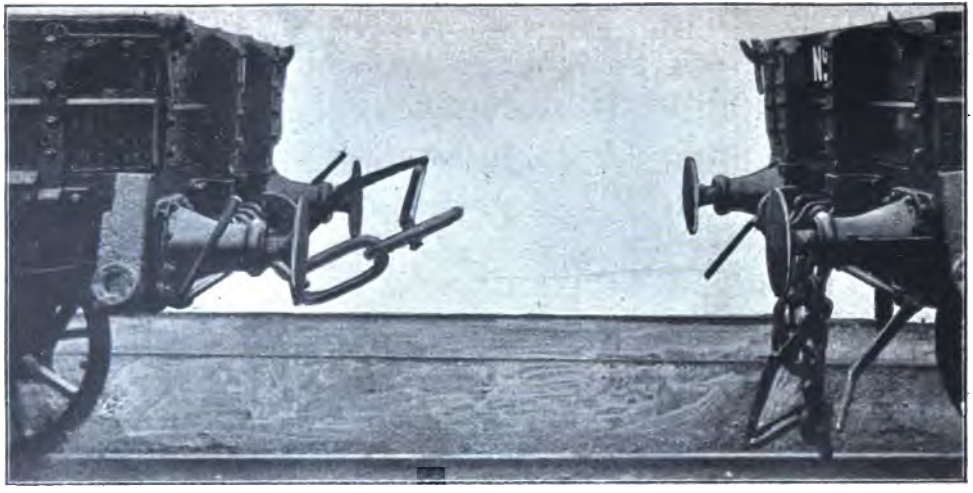
Is slung in the same drawhook slot, as was occupied by the waggon links, and the Brockelbank Coupler automatically connects by impact with any waggon like fitted.

STEP No. 2.

The Couplers are here seen from inside one of the waggons at work (at *), looking down from above on to the permanent way as the Couplers are hauling the train. The drawhooks being plainly seen appearing between the coupler links.

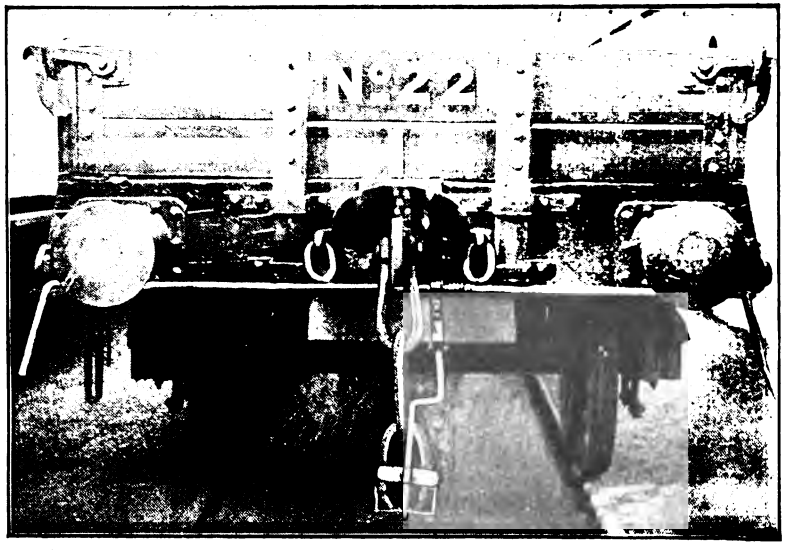
Models can be seen at 35, QUEEN VICTORIA ST., LONDON, E.C.

BROOKER'S PATENT AUTOMATIC COUPLER.



Attached to the above two waggons on the District Railway, Brooker's Coupling has been in constant working the whole of 1902. On coming together the links become automatically coupled on to the drawhook of the opposite waggon.

BROOKER'S PATENT AUTOMATIC COUPLER.

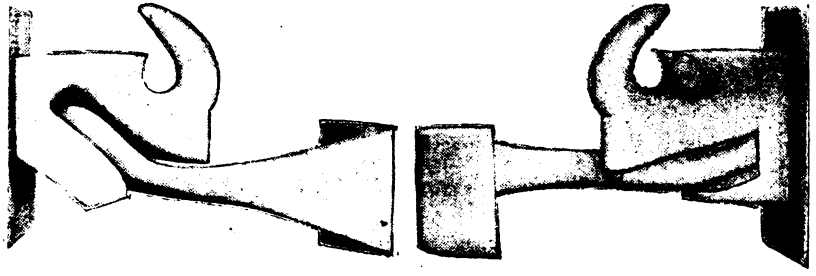


This appliance is simple and inexpensive, the three links can either be coupled or uncoupled by hand or set aside and be put out of use, from either side of the waggon.

All information can be had of A. BROOKER, 32, *George Street, New Town, Eastleigh, Hants.*

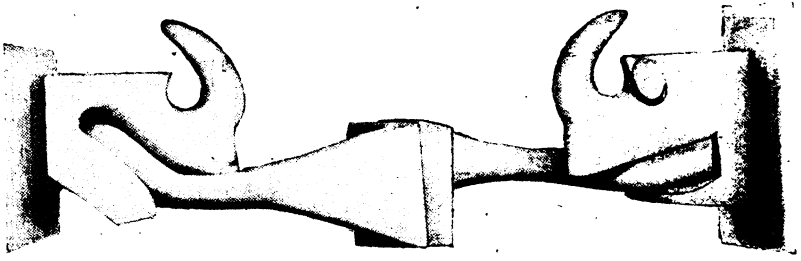
MOON'S AUTOMATIC COUPLING.

This Coupling is commendatory on account of its easy adaptability to existing rolling stocks, and its extreme simplicity of construction; for it consists of but two parts, held securely together by a pivot bolt, the one part, piercing the headstock of the waggon, forms the drawbar; the other, under pressure of traction, is free to swing, within certain limits, on the pivot bolt; but always, when the pressure of the traction ceases, returns to its normal position, in virtue of its own specific gravity. Therefore the Coupling's effective working requires no lever or spring; nor is there any part that can get out of order.



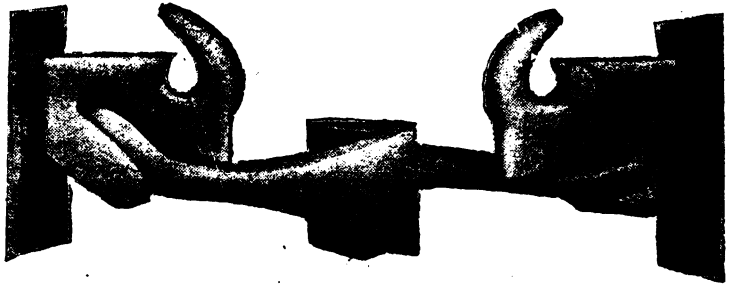
Hooks prior to impact.

MOON'S AUTOMATIC COUPLING.



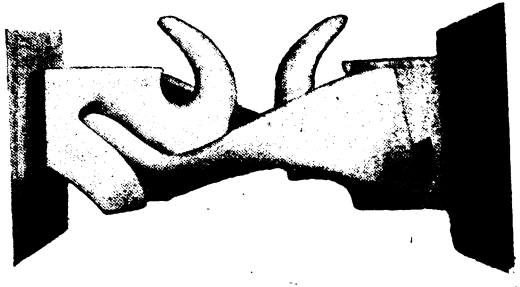
Hooks in course of impact.

MOON'S AUTOMATIC COUPLING.



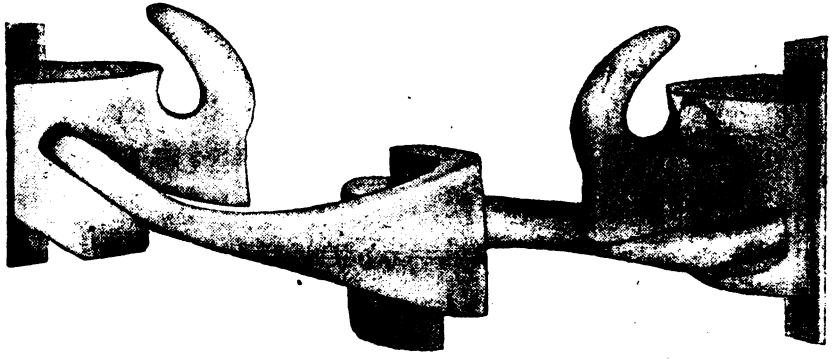
Hooks on completion of impact, securely coupled.

MOON'S AUTOMATIC COUPLING.



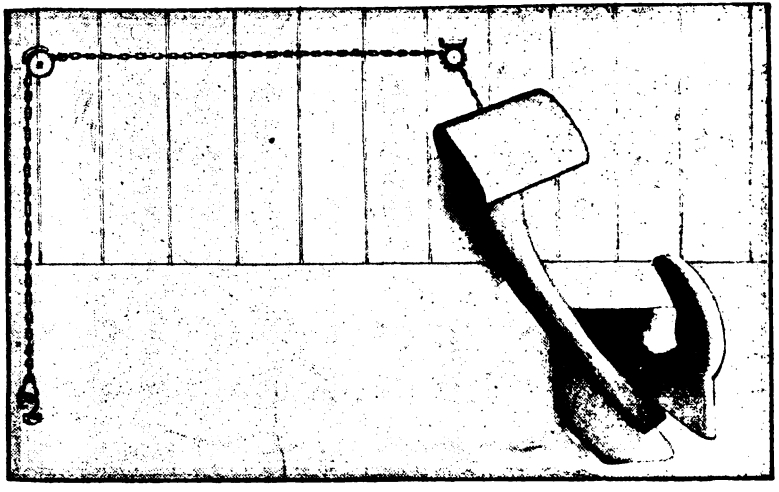
When Buffer Springs are pressed in, the Hooks, still coupled, pass into safe position.

MOON'S AUTOMATIC COUPLING.



The effect of coupling empty and heavily laden waggons together.

MOON'S AUTOMATIC COUPLING.



Adjustment of Automatic Hook when the Coupling is used with the ordinary hook and three-link chain.

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The Sussex Daily News—"Mr. John Fraser has written a very elaborate, and, it must be owned, a very striking book on this great subject—a subject which has already been argued in countless volumes. The title is 'Episcopacy,' and the author considers the question historically, doctrinally and legally. He prints five mottoes on his title page; in the first he puts the Pauline problem, 'What communion hath light with darkness?' and in the last he quotes the Miltonic lines, 'Help us to save free conscience from the paw of hireling wolves, whose gospel is their maw.'

As showing the exceeding plainness of his speech, and at the same time indicating the scope and purpose of his elaborate enquiry into Episcopacy, Mr. Fraser declares that he desires to 'assist somewhat in the arrest of that strong current of high Ritualistic superstition, immorality and intolerance in the Church of England which is now sweeping all before it.' It is to be feared that he will not find the aforesaid high Ritualistic party altogether disposed to enter the lists against him."

The Christian World—"The work has in it much valuable information, and undoubtedly expresses a feeling on the part of a vast and growing mass of conscientious Churchmen, which the hierophants of the Establishment can ill afford to ignore."

Scottish Leader—"Mr. Fraser's argument will not appeal to us so much as to persons on the other side of the border. But the volume will no doubt find a useful place in the polemical literature of the subject."

Dundee Advertiser—"The book contains a good deal of interesting matter gleaned from the fields of ecclesiastical controversy."

The Mid-Sussex Times—"'Episcopacy' is certainly a remarkable book, and evidences not merely extensive erudition, a thorough grasp of the subject, and much literary ability, but the zeal of the propagandist anxious to abolish what he believes to be wrong, and contrary to the highest dictates of conscience. In over 400 pages of closely-reasoned, yet most interesting matter, does Mr. Fraser expound his views.

Some most amusing stories are told of the various worthies whose names figure in the odour of sanctity with Ritualists at the present day, their domestic troubles being depicted with considerable sense of humour.

Mr. Fraser is to be congratulated on the success which has attended his efforts to place before Englishmen the present position of the Established Church from the Protestant standpoint.

Written in plain language and in clear and incisive style, it is just the book for the age, and should have a large and increasing circulation among those to whom it appeals."

Liverpool Post—"'Episcopacy' is obviously the work of an author who has given deep thought and exhaustive study to his subject. The book will delight the souls of perfervid Protestants."

English Churchman—"We entirely concur in his strictures upon images, altars, intoning, the reredos in St. Paul's and Exeter Cathedrals, the monstrous and unscriptural theory of Apostolic Succession, the obstructive Episcopal veto, and the disloyalty and dishonesty of clergy receiving Church of England pay whilst doing the Church of Rome's work. He rightly condemns the tactics of the bishops of the present day, and their encouragement of Ritualism and Romanism, and his dissection of the Lambeth Judgment—'a nondescript and illusive document,' largely made up of 'antiquarian twaddle' —though severe, is just. We agree that upon the bishops must rest the blame of the present grave and scandalous condition of things in the National Church. The book contains some scathing pages on the Confessional, and if the statements are based upon facts no words can be too strong in reprobation of that abominable and soul-destroying practice."

The Eastern Daily Press—"It would be too long a task to follow the author through his sledge-hammer diatribes with reference to altar lights, clerical millinery, chancel fixtures, and the growing practice of auricular confession, concerning which he lets fly a tremendous stream of invectives. He fears, and he says so without restraint, that with a celibate clergy, the confessional would again become the scene of iniquities and abuses such as those which led husbands, fathers and brothers to petition King Henry VIII. On the whole we think Mr. Fraser's book a timely utterance and one well calculated to define the issue between the evangelical and the advanced parties."

The Rock—"A glance at some of the solid matter of the volume and its methodical arrangement is enough to show that the writer's researches have extended over wide fields, and that he has digged deep for some of his material."

The Dundee Courier—"It is a strongly-worded protest against certain innovations in the Church of England. For some time back attention has been directed to the extreme High Church party, and their teachings as to 'Apostolic Succession' and the 'Real Presence' has been vigorously canvassed. Certain so-called inovations, such as images, Saints' Days, burning of candles, and auricular confession, have threatened to rend the Church in twain. In a series of six lectures, Mr. Fraser seeks to combat these and other kindred subjects. He writes in plain language for working men."

The Norfolk News—"In some of the long sweeping sentences, with which he concludes his chapters, we seem to hear the fierce denunciatory voice of a Puritanism that passed away with the age of Milton.

Mr. Fraser's pages on the Calendar of the Saints, the status and practices of the clergy in the days of Wiclif, and the pass which had been reached at the time when Henry VIII. took things in hand, may be read with profit and instruction.

Now and again we need an author like Mr. Fraser, with the faculty of calling a spade a spade, to tell us where we are drifting."

The Glasgow Herald—"There is room for a popular statement of the subject of Episcopacy in its various aspects. This has been done with some credit in the volume before us.

A mass of facts has been gathered by the author, which are certainly damaging to the Romanising party in England."

The Lewisham District News—"Mr. Fraser has produced a work which will give rise to much discussion in this country and our colonies.

The starting point of his work is the claim to 'Apostolic Succession' by the clergy. He is humorous, sarcastic and concise. He has bestowed great labour in his researches, and has, perhaps, ransacked all the Standards of the Church of England—ancient and modern—the controversies legal and historical, since the Oxford movement began, down to the recent Lincoln judgment, and gives the result of the various legal actions which have taken place, in plain language, such as every thinking working man can understand.

Mr. Fraser is very pungent on the Calendar of English Saints, and the keeping of Saint Days, both major and minor, now getting much into vogue, among the extreme juvenile clergy. We would recommend them to give this portion of Mr. Fraser's work their closest attention.

The subjects of Mr. Fraser's work are admirably arranged. When occasions present themselves, he treats

them with humorous and laconic force. His statements referring to historical facts and legal judgments are accurate, and will be found most useful to the general reader. We congratulate the author on the excellent manner in which he has executed his task, giving 'hard knocks at times,' but offence to none."

The Eastbourne Standard—"It is a remarkably well-written work, the author evidently having carefully studied his subject."

The Guardian—'He shows what value he attaches to historical Christanity by a furious invective against the English Calendar Saints and by calling the Athanasian Creed an 'objectionable confession of the Christian Faith.' The bishops are said to 'eat the bread of the nation,' and they wax fat on it and kick at the Privy Council, all of whose 'decisions are final, although they may even conflict with each other.' Perhaps the raciest passages are those which deal with Bishop Temple and his naughty ways in the matter of reredoses, idolatory and Church decking."

The Methodist Times—"Scattered through the volume there is much valuable and curious information, and the author now and again gives the bishops a very shrewd thrust."

The Literary World—"Into this book against diocesan bishops, Mr. John Fraser, a fervid Evangelical, has condensed a large amount of curious ecclesiastical learning. Mr. Fraser denounces the modern English bishop as a Romaniser, a political obstructive, a protector of poisonous literature, such as 'Essays and Reviews' and 'Ecce Homo,' an obstacle to religious union, and an unapostolic ruler of the Church.

Mr. Fraser is thorough going. He takes a gloomy view of the present, but believes that 'Episcopacy must eventually yield to the superior forces of literature and education, although it may be enabled to rally frequently and effectively before it finally succumbs."

The Brighton Gazette—"The author has dealt comprehensively with his subject; has not hesitated to deliver some keen home thrusts at the coldly repellant attitude of ecclesiastical formality, and throughout the whole of his most interesting work he may be considered to have been actuated by the sole motive of bringing back to the National Church that warm glow of Apostolic vitality that should break down the narrow bulwarks of restrictive ecclesiasticism, and universally disseminate gifts and gracious influences on all around. The author has no sympathy with the limited and

exclusive sense applied to the term 'Church,' and he severely indicts the whole system of English Ritualism.

The book is divided into six parts, each of which is properly classified. In Part 1 the writer discusses ancient and modern episcopacy, and quotes largely from Scripture and secular history. Other parts contain a scathing exposure of the origin and baneful results attending Saint adoration, a valuable epitome of Church history up to the death of the epoch-making Henry VIII., the history of altar lights, and modern matter dealing with the Bishop of Lincoln. From the care taken in its compilation, the cogent logic and irresistible force of its facts, the book should find a large circulation."

Westminster Review—"We have enjoyed reading Mr. Fraser's lively attack on Episcopacy, and can recommend it as both just and timely. It is a genuine exposure of the weakness of the pretentions of the Established Church from more than one point of view, and would be found invaluable by a pugnacious political nonconformist."

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